

PN-ABC-231

un-85183

AN OVERVIEW OF THE SOUTH AFRICAN ECONOMY

VOLUME I

**CONSUMER BEHAVIOUR (PTY) LTD
SUITE 4912 CARLTON CENTRE
P O Box 11493
JOHANNESBURG 2000
SOUTH AFRICA**

© USAID/SA

JUNE 1987

TABLE OF CONTENTS

CHAPTER I

Technical Research Report	1
1. Background to Research Program	2
2. Research Approach	3

CHAPTER II

Brief Overview of Documents	8
1. Preface	9
2. Summary of Volume I	10
2.1 Overview of the South African Economy	10
3. Summary of Volume II	11
3.1 History and Evolution of Black South African Private Sector	11
4. Summary of Volume III	16
4.1 Attitudes towards Black Business Support Organizations	16
5. Summary of Volume IV	17
5.1 Program Options and Strategies	17
6. Annexes	17

CHAPTER III

Overview of the South African Economy	18
1. Historical Background	19
2. Status of South African Economy	23
3. Selective Application of Free Enterprise	25
4. Economic Performance and International Pressure	26
5. South Africa Enters into a Siege Economy	29

CHAPTER IV

Overview of the Black Private Sector	31
1. Profile and Distribution of Black Population	32
2. Black Per Capita Income	34
3. Black Share of Employment	36
4. Black Share of Personal Income	39
5. Private Consumption Expenditure Patterns	41
6. Percentage Composition of Total Private Consumption	43

CHAPTER V

Profile of Black Enterprises

1. Total Number of Registered/Unregistered Companies	47
2. Profile of Black Enterprises	48
3. Concluding Note	52

CHAPTER VI

Primary Sector Attitudes Towards Black Business

1. Reactions to Social Responsibility Programs	54
2. Size and Scope of Big Business Involvement	55
3. White Perceptions of Black Business	56
4. Black Equity Participation in the Primary Sector	57
5. Black Equity Participation in the Primary Sector	57
5. Black Equity Participation Programs	57
6. Availability of Black Entrepreneurs	58
7. The Dual Economy Development Theory	59

CHAPTER VII

Inventory of Support Organizations

1. Introduction	61
2. The Small Business Development Corporation (SBDC)	62
3. Council for the Promotion of Small Business	63
4. Council for the Promotion of Small Business and the Rebate Scheme	68
5. Small Business Information Centres	68
6. Private Sector Support and Initiatives	68
7. Black Private Sector Initiatives	72

CHAPTER VIII

Attitudes Towards Donor Organizations

1. Introduction	76
2. Attitudes towards American Donor Agencies	82
5. Attitudes towards Capitalism and Socialism	83
Footnote References	86

CHAPTER I

TECHNICAL RESEARCH REPORT

1. BACKGROUND TO RESEARCH PROGRAM

2. RESEARCH APPROACH

1. BACKGROUND TO RESEARCH PROGRAM

At the beginning of 1987, Consumer Behaviour (Pty) Ltd was commissioned, competitively by USAID/SA on behalf of the National African Chambers of Commerce [NAFCOC], to conduct an in-depth analysis of several key aspects of the black South African private sector. The program involved the gathering of various types of data through a combination of methods that included quantitative and qualitative research techniques as well as informal field visits and observations of various aspects of black business.

In terms of a planning grant made to NAFCOC by USAID/SA, the latter sought to conduct a formal assessment that would provide a basis for separate NAFCOC and USAID strategies in support of a private sector development program focused on black entrepreneurs, business persons and enterprises. The grant is intended to develop, where possible, options and programs to support these objectives in response to black business priorities, namely, to:

- (i) develop an enhanced capacity in the black private sector to change public attitudes and perceptions with regard to private enterprise;
- (ii) facilitate black investment or equity participation in financially and economically viable ventures and activities;
- (iii) facilitate employment of greater numbers of black South Africans;
- (iv) influence nonviolent change in South African Government economic and social policies;
- (v) produce more and higher quality goods and services; and
- (vi) export products demanded by the international community.

USAID/SA plans to provide US Government resources (grant and/or loan) to non-governmental organizations [NGOS] to accomplish program goals through a project or series of projects involving the possible provision of credit, technical assistance, training and commodities. In terms of the contract, Consumer Behaviour were required to:

- (a) collect, organize and analyze significant baseline information;
- (b) identify and enumerate constraints to black business development;
- (c) develop several program options for overcoming these obstacles and achieving the program goals;
- (d) devise, support and recommend a preferred strategy to focus on and guide USAID's program emphasis and content for private sector development over the next five years; and
- (e) devise, support and recommend a strategy for development of NAFCOC programs to support black enterprise development.

2. RESEARCH APPROACH

In view of the complex nature of the assignment, the program was divided into three phases as follows:

2.1 Desk Research Analysis

The purpose of the Desk Research Analysis was to gather, evaluate and interpret existing baseline data concerning past and present aspects of the black South African private sector. Types of data required from this exercise covered the following subject matter:

2.1.1 History and Evolution of Black Private Sector

Details concerning circumstances and issues that have helped to shape and direct the existing structure and size of the black private sector.

2.1.2 Estimated Size and Potential

Details about the size of the black private sector; its contributions to mainstream economic activities; its potential, strengths and weaknesses.

2.1.3 External Constraints and Regulatory Barriers

A review of major policies, laws, regulations, practices and attitude factors that have retarded or enhanced growth in black private enterprise.

2.1.4 Internal Constraints

Details of problems, weaknesses and limitations that are inherent in the black private sector. Specific issues covered included problems experienced in terms of the availability of material and human resources.

2.1.5 Economic Factors

The influence of international economic factors on the South African economy; current and past economic trends in South Africa, and the current situation. This part of the program produced very little input: government and private sector sources do not keep comprehensive records of black participation in the economy. Only selective data are available.

2.2 Qualitative And Quantitative Research

The objective of this exploration was to gain an in-depth, up-to-date understanding of prevailing attitudes, perceptions and reactions towards black participation in the mainstream of the South African private sector in general, and the black private sector in particular.

The main focus of the study was to identify constraints to the development of black business as well as perceptions of the roles of the primary private sector and apartheid by the black community. Specific issues addressed included problems emanating from economic factors, quality and scope of support facilities and services available to black enterprises, problems relating to training and expertise, regulations, finance and new opportunities for growth.

The specific needs of black businesses were investigated in detail, and attitudes towards free enterprise and perceptions of donor and support organizations were established.

Particular attention was paid to black business support organizations such as NAFCOC and its allies who engage in the provision of training and other technical assistance such as business development and management training, finance or credit facilities. The investigation explored attitudes towards and perceptions about the strengths and weaknesses of NAFCOC and other black private sector support organizations.

2.3 Research Methods

Three research methods were used. Two of these are qualitative in nature, viz. the Focus Group Interview and the in-person Focus Individual Interview. The third segment utilized the sample survey method.

2.3.1 Focus Group Interviews

Focus Group Interviews were used to gather information of a purely qualitative nature. The technique is most effective in handling a variety of sensitive and deep-seated problems that are difficult or compromising to air through a one-on-one interview situation.

Each Focus Group Interview meeting comprised small numbers of preselected participants. The sizes of the group interviews varied according to quality of participants, expertise and experience. Thus, less experienced participants operated in groups of an average of six people. Smaller groups of between three and six participants were conducted among well placed and more knowledgeable people.

All group interviews were recorded on tape. Transcripts - in English translation - were prepared for analysis and interpretation. The transcripts will not form part of information to be filed in either the USAID/SA or NAFCOC library of records. Only the contractor has access to the data: this is in compliance with the South African Marketing Research Association's code of ethics and professional standards. The raw data and transcripts will be destroyed once final reporting has been accomplished.

2.3.2 Focus Individual Interviews

A series of person-to-person interviews were conducted with a selected number of persons in senior positions within private enterprises and organizations. Two types of interview approaches used included, on the one hand, Executive Depth Interviews, which ensured a great deal of planning and sensitive handling of the interview process. Only senior members of the Research team conducted the interviews. The types of people interviewed were senior executives, prominent leaders and community personalities. On the other hand, the Standard Depth Interviews were used.

2.3.3 Sample Survey Interviews

This segment of the research program provided quantitative data based upon a statistically significant sample of 300 businesses. Respondents were selected according to type, size and location of business. This was done to ensure objective and statistical representativeness of existing types of businesses. Probability sampling techniques could not be adopted due to serious distortions in geographic distribution of black enterprises. It must be borne in mind that the majority of black businesses operate inside residential areas that do not have central business districts. The businesses are, therefore, located haphazardly. Thus, interview selection could not follow the rules of probability sampling.

To overcome these physical problems, Consumer Behaviour developed comprehensive lists of businesses by type, size and location. Interviewers were then allocated sub-samples of different groups of businesses to visit. Interview substitution was based on probability sampling. As matters stand, it is almost impossible to construct a research sample of black businesses that is totally scientific.

For research purposes, black businesses were defined as those enterprises where there was 100% ownership. A very small number of the businesses were said to be partnerships. These tended to be newer and nontraditional - e.g. small manufacturing or printing undertakings. No black-white partnership enterprises were represented in

the sample. This appears to stem from the fact that such partnerships are frowned upon, by the black community, as representing unscrupulous "fronting" practices. The black business community, and NAFCOC in particular, does not approve of black-white partnerships. However, the situation appears to be changing rather rapidly as younger black entrepreneurs have opted for the 51-49% form of partnerships in businesses that have recently been established outside black residential areas.

2.4 Sampling Methods And Sample Sizes

The entire research program involved a total sample of 571 respondents. This sample comprised several sub-samples. These were made up as follows:

2.4.1 The NAFCOC Sample Survey [300]

Three Hundred interviews were conducted amongst formal and informal business persons whose businesses are located in black residential areas of eight of the country's main metropolitan centres:

Distribution of Survey Sample

Area	City	Township
TRANSVAAL	Johannesburg	Soweto and Alexandra
	Krugersdorp	Kagiso/Luipardsvlei
	Randfontein	Dobsonville and Mohlakeng
	Kempton Park	Tembisa
	Germiston	Natalspruit
	Vaal Triangle	Sebokeng, Sharpeville, and Boipatong
	Pretoria	Mamelodi, Atteridgeville, Soshanguve, and Saulsville.
	Springs	Kwa-Thema
	Benoni	Daveyton
	Brakpan	Tsakane
NATAL	Durban	Umlazi, Kwa-Mashu, Clermont and Lamontville
		Gugulethu and Nyanga
CAPE PROVINCE	Cape Town	Duncanville and Mdantsane
	East London	New Brighton, Zwide
	Port Elizabeth	Kwazakhele and Maqhaki

The metropolitan centres featured above represent over 90% of South Africa's urban black population. The South African Foundation (1986) estimates that there are approximately 10 000 formally registered and black owned enterprises in these metropolitan centres. Thus, the sample of 300 business persons is statistically representative. Due to

time constraints, USAID/SA agreed to the exclusion of metropolitan centres in areas such as the Orange Free State as well as South Africa's Homelands. The black agricultural sector was excluded primarily because black farmers are located inside Homeland areas.

2.4.2 Focus Group Interviews and Focus Individual Interviews

A total of 14 Focus Group interviews and 71 Individual Depth Interviews [comprising 211 persons] were conducted simultaneously. Focus groups were conducted amongst owners of black enterprises, semi-formal and informal sector operators, black corporate managers and executives, and black leadership. Individual Depth Interviews were also conducted amongst formal and informal black businessmen, black leadership, black corporate managers and executives.

2.4.3 Supplemental Interviews [60]

Sixty supplemental interviews were conducted with experts in various fields relating to the development of the black private sector. These included small enterprise development advisors and managers, finance and lending officers, legal experts, economists, and people involved in support services and development programs.

A greater proportion of the fieldwork [60%] took place in the Pretoria-Witwatersrand-Vaal region. This area is known to have an estimated total of over 60% of all registered black enterprises in the entire country. The balance of the interviews [40%] were conducted in four other major metropolitan areas, namely, Durban [15%], Port Elizabeth [12%], East London [8%] and Cape Town [5%]. Cape Town appears to have the lowest number of businesses owned by indigenous South Africans. There are fewer indigenous South Africans in and around Cape Town. This is the result of government legislation that had, until recently, barred Africans from settling in Cape Town. The area operated what was known as a "Colored preferential policy": Colored or mixed race persons were given preference over Africans and Indians for allocation of employment and other opportunities.

The research program excluded black enterprises that were located in the Orange Free State and rural communities. Initial research proposals sought to include rural black communities in the sample but these had to be omitted largely due to timing constraints. The contract stipulated that the study be completed within three months. The omission of businesses in rural areas would not have affected the scope and quality of research results seeing that the profile of black rural enterprises closely resembles that of their urban counterparts with the exception of whatever little agri-business may be practiced by black people.

CHAPTER II

BRIEF OVERVIEW OF DOCUMENTS

1. PREFACE

2. SUMMARY OF VOLUME I

2.1 OVERVIEW OF THE SOUTH AFRICAN ECONOMY

3. SUMMARY OF VOLUME II

3.1 HISTORY AND DEVELOPMENT OF BLACK SOUTH AFRICAN PRIVATE SECTOR

4. SUMMARY OF VOLUME III

4.1 ATTITUDES TOWARDS BLACK BUSINESS SUPPORT ORGANIZATIONS

5. SUMMARY OF VOLUME IV

5.1 RECOMMENDED PROGRAM OPTIONS

6. ANNEXES

1. PREFACE

This section provides a broad yet comprehensive assessment of the black South African private sector. In a country as complex and divided as South Africa, it is imperative for a review of this magnitude to take into consideration all relevant factors - including circumstances, factors and issues that may, at a glance, appear to have no direct bearing on the present and future economic role and position of the indigenous community. As the analysis of historical developments and constraints unfolds, it becomes abundantly clear that, within the prevailing South African situation, everything has a political angle to it. The prevailing socio-political system has, over the years, politicized issues and aspects of society that - in more normal societies - are considered apolitical.

Therefore, in order to explain the present and future role of the black private sector, this analysis has had to retrace developments that have predated the arrival of the first European colonist in southern Africa. The analysis will attempt to prove that there is no definite and logical cut-off point in the history and evolution of the South African society i.e. both politically and economically. Most historians and historiographers, whose data form a major part of this review, have acknowledged the difficulties they have had to contend with in their attempt to divide the history and development of the modern apartheid state into pre-apartheid and apartheid era. However, most tend to date apartheid either to the turn of the twentieth century or 1948 - when the current Afrikaner Nationalist Party government took over power. Yet others have demonstrated the existence of an unbroken golden thread that stretches back into the very foundation of the first Dutch settler colony in the Cape.

The framework for the present analysis accepts the latter view, namely, that the present-day South African "apartheid economy" is a direct result of a deliberate and systematic process of economic and political disenfranchisement and dispossession that has been engineered by white South Africans, against the indigenous population, since 1652. The birth and overprotected survival of the Afrikaner tribe is central to the entire analysis - and it is this survival that has always taken precedent over economic development. From its inception, the Afrikaner tribe has gone to all extremes to ensure that strategic resources, information and avenues do not fall in the hands of the majority indigenous population group. Although they were forcefully subjugated, the African people of southern Africa have continued to resist their exclusion from participation in the country's political, economic and social processes. The history of the region revolves about the interaction between the intermittent insurrection and resistance campaigns of the

indigenous community which were met with increasingly ruthless repression and containment.

2. SUMMARY OF VOLUME I

2.1 OVERVIEW OF THE ECONOMY

This document provides a brief overview of the South African economy with reference to ongoing internal and external pressures. Central to the analysis is whether or not the South African government has the political courage to institute reform and economic policies that will stimulate the size of economic growth rate (3% - 5%) to avoid serious political and economic consequences such as are associated with high unemployment (3-6m); double digit inflation (16%-20%); and balance of payments. External pressure has been mounting against South Africa: international economic sanctions and disinvestment, debt repayment and restive or hostile foreign bankers. The generals and hard-nosed intellectuals, who hold the most influence in the South African cabinet, have also made it clear that any life the fiscal authorities can breathe into the economy would go a long way to reduce political pressures from far right-wing voters, and to diminish the political consequences of rising black unemployment.

The Economic section of the analysis also reviews key demographic and consumer growth prospects to the turn of the century. This section of the analysis highlights the rapidly growing black segment of the country's population. The black population group is not only growing by leaps and bounds but it is also growing younger. The analysis also points to considerable strains that will be felt in the economic and employment areas within the forthcoming decades. Most crucial pressure points include food, housing, education, and employment. The section also suggests that more and more black people will be drawn into the urban areas. The current size of the country's economy does not seem to be geared to cope with substantial increase in the current rate of urban migration. Equally, important, the South African government does not seem to be equipped with the quality of vision and courage that would enable it to start making preparations for the impending black urbanization process.

The profile of the black private sector is also covered in this section. To reiterate, this sector is almost entirely retail-oriented. The profile of black enterprises is dominated by small one-man operations - most of which are neither viable nor properly managed. Historical factors and constraints responsible for the current profile have been detailed in Section II (History and Evolution of the Black Private Sector). There is also an inventory of black support organizations. These are concentrated in the micro-informal sector. The section concludes with a discussion of black community attitudes toward foreign donor organizations as well as topical issues such as attitudes towards

Capitalism and Socialism i.e as possible alternative solutions for prevailing problems in South Africa.

3. SUMMARY OF VOLUME II

3.1 HISTORY AND EVOLUTION OF BLACK PRIVATE SECTOR

The first half of this Volume attempts to explore and expose myths about the Afrikaner tribe, apartheid myths and the Afrikaners' attempt to distort historical facts in order to galvernize their arrogated African heritage and origin. Perhaps, the most popular and most enduring of all Afrikaner myths is that referred to - by historiographers and historians - as the "myth of the empty land": ancestors of the present African people of South Africa migrated southwards across the Limpopo River at much the same time as whites were first settling in the western Cape in the mid-seventeenth century. Therefore, white South Africans have equal, if not more, right to claim ownership of more than 76% of the surface area of the land. The myth occupies a rather central position in the birth and survival of the Afrikaner tribe. This myth has been disseminated to generations of white South Africans through history textbooks that are compulsory to all South African schools. Leonard Thompson's work on Afrikaner political mythology reveals that this and other erroneous Afrikaner myths have been orchestrated to present an image of a chosen community that God placed in a strange land for a specific purpose.

The past fifteen years have witnessed a dramatic breakthrough in archaeological investigation of the southern African Iron Age. New archaeological dating technology has, once and for all, enabled archaeologists to prove that southern Africa was inhabited by black people for several thousands of years before the first European set foot in the region: early in the third century A.D., African farmers conducted their own version of pastoral and "scratch" farming. They cultivated millet and sorghum; owned sheep and cattle; and engaged in mining of precious and other metals as well as fashioning iron tools. This process supported several African societies and chiefdoms which were disrupted by several factors, namely, superior military power of white settlers, natural disasters and diseases, and the outbreak of major wars among the indigenous societies.

The entry of Africans into the colonial society was marked by severe dislocation of vast numbers of communities and societies. Slavery and forced labour played a key role in the subjugation of the indigenous societies. But most important, the dispossession of land marked the turning point in the history of black political and economic participation. Once they were deprived of their land, black people were forced to enter into wage labour on "white farm lands." This process witnessed the breaking up of early African societies and economic systems. Missionaries became the "torch-bearers" of white colonizers.

However, missionaries also provided "converted" African communities with avenues through which they campaigned, successfully in commercial farming. In the end, missionaries could not and were not in a position to shield blacks from systematic yet ruthless legislation of successive white governments. By and large, the missionaries aided the colonization process.

The British have had immense involvement in the colonization process. Most important, they were the original authors of a system of social and racial exclusion that was handed over to the Afrikaner tribe on the occasion of the Union of South Africa, in 1910. The new Afrikaner "nation" molded the British exclusionary system into a more perfect and more powerful instrument of containment: apartheid or separate development. Apartheid had its roots in the supremacists views of early Dutch settlers. Even before they set sail in search of new frontiers, Europeans of the fifteenth and sixteenth centuries held the notion that the inhabitants of the African continent were a totally distinct sub-species of humanity. This stereotype is present in present-day Afrikaner mythology. It is enshrined in that powerhouse of Afrikaner nationalism - the Afrikaner Broederbond, which believes that "God created the Afrikaner People with a unique language, unique philosophy of life, and their own history and tradition in order that they might fulfill a particular calling and destiny here in the southern corner of Africa."

Centuries of living under apartheid domination have not wiped out black resistance completely. Since the founding of the Union of South Africa in 1910, black resistance has been articulated through different forms of channels including organized protest and spontaneous outbreak of violence. Black resistance has fueled the emergence of political, civic, business, community, church and youths organizations. Together with organized black labour unions, these organizations have established themselves into effective coalitions for advocacy, resistance and protest. Rigid and excessive enforcement of the system of apartheid (and apartheid policies) has created a rather formidable rival movement to apartheid, namely, "extra-parliamentary" politics. This movement presents the first and major threat to white politics seeing it accommodates black and white groups and individuals who are opposed to apartheid. Political analysts maintain that the 1987 white parliamentary elections were an attempt, on the part of the South African government, to disrupt or arrest the spread of the "extra-parliamentary" political movement which threatens to absorb certain segments of the white hegemony, more particularly liberal business, white universities, white churches and white schools.

There is little agreement among political and economic analysts on whether or not the system of apartheid can be dismantled through a process that has been termed "the liberalizing influence of economic growth." Proponents of this view maintain that economic growth and apartheid are incompatible. Therefore, the argument goes, massive and sustained stimulation of the economy will force many apartheid measures into a retreat. The opponents of this view argue that big business or "capital" has thrived, for several decades, alongside apartheid without affecting its structure or growth. The majority of black South Africans tend to support the latter view. They dismiss the "liberalizing economic influence" approach as nothing but a lame excuse for prolonging the system. They also argue that big business and the apartheid government are in some form of "unvoiced" collusion against black people. The term "racial Capitalism" is frequently used to describe the cohabitation of the primary private sector with government.

International and local interest groups - including foreign governments - continue to coax the South African government into taking non-revolutionary steps toward the dismantling of apartheid. Calls for the South African government's declaration of intent and the formulation of an agenda for negotiations continue to fall on deaf ears. The South African government has become too sensitive to what it terms "interference" by external forces including Western governments. Consequently, government officials do not take kindly to criticism of its policies and actions - no matter how mild. Currently, the South African government has identified foreign governments and donor agencies as "meddlers" who provide financial sponsorship to indigenous institutions and organizations that are committed to the replacement of apartheid with a fully democratic and non-racial black majority government. The South African government does not seem to be in any hurry to initiate open negotiation processes. It continues to ignore highly persuasive arguments for unconditional negotiations as have been suggested by many experts, friends and foes alike. Clem Sunter's call for SALT-type negotiations does not seem to have made an impression at all.

The black South African private enterprise was not exempted from the exclusionary "nation-building" policies of the Afrikaner community. The very first act of relieving black people of their land has been instrumental in keeping them out of the economic and political hegemony. The white community did not accommodate economic competition from and independence of blacks because these posed a serious threat to the survival of the budding Afrikaner "nation": the political economic order that supported the white community could not survive without the labour of the indigenous people. Economic independence offered blacks access to self-sufficiency and wealth generation. Successive

white governments made sure that blacks were shorn off avenues that gave them economic independence.

Pre- and post-Union of South Africa British and Afrikaner governments introduced the "migrant labor system" to ensure even distribution of cheap black labour to both white farming and mining industries. Later the "migrant labour system" was used to deprive blacks of participation in economic opportunities in areas of high economic growth, namely, the primary sector. Other apartheid measures - such as laws known as the "pillars of apartheid": Group Areas Act (1950), Population Registration Act (1950), Native Laws Amendment Act (1952) "Pass Laws" - were used to engender a state of impermanence in the lifestyle and social habits of black people. For the black private sector, the bottomline was strict enforcement of restrictions at national and local municipality levels. For instance, individual 'white' towns, municipalities and provincial administrations passed their own versions of measures that were designed to keep black business out of "white areas."

In addition, government employees in charge of the administration of black urban and rural areas added their own restrictive measures and interpretations to national and provincial regulations. In the final analysis the black private sector was reduced to a handful of small and uncompetetive retail outlets that were prohibited from selling goods that fell outside the definition of "daily household necessities." Black entrepreneurs were forced to operate one business at a time and within a rigidly delimited radius. Although some of the more absurd measures were reformulated and/or removed, the statutes books still contain many laws that restrict growth of black business; group Areas Act and Population Registration Act, to name a few. Rather than repeal offending laws, the South African government embarks, from time to time, on a program of legislative modification whereby certain parts of a known piece of legislation may be removed, re-worded or re-worked into new or existing Acts. Black business tends to be dealt with through piecemeal concessions and permits which do not require tempering with the laws.

Until the 1976 Soweto Riots, South Africa's primary sector had tended to turn a blind eye toward the plight of black enterprises. Like government, most had tended to believe that black business should be allowed to develop within the context of the "dual economic development" theory. In short, black people were expected to realize their economic aspirations and ambitions inside areas that were reserved for them. Black entrepreneurs (who operated inside black townships) were not expected to mind this situation seeing they were receiving token protection against white businesses. Yet black custom was encouraged to flow freely into white businesses through the design of public transportation systems in and out of black areas; lack

of central business districts inside black residential areas; restricted scope of business imposed on black enterprises, and the fact that over 80% of economically active black people patronized retail outlets that were located near their places of employments - outside black townships and rural "reserves".

During the second half of the 1970s government introduced limited concessions and removed measures that restricted black business participation to "daily household necessities." The National Federated Chambers of Commerce (NAFCOC) was instrumental in extracting the concessions. Many young black entrepreneurs appear to have responded rather positively to the removal of the restrictions: several have moved into non-traditional business areas such as small manufacturing, the property market and construction, distribution and wholesaling, and so forth. However, fewer have taken advantage of limited relaxation of measures that disqualified black people from conducting business inside some of the major cities' central business districts. This slow response must be viewed against the realities of the black private sector, namely, that the vast majority of black enterprises are small retailers. In their current size and strength (or lack of it), black retailers would not survive the highly over-traded CBDs of cities such as Johannesburg, Pretoria, Durban, Port Elizabeth or Cape Town. The introduction of the "grey areas" in major cities' CBDs precludes non-retail businesses from renting premises in industrial areas where rentals are cheaper. Therefore, the CBD concession appears to have been directed at black people who are in the professions - doctors, lawyers, marketing consultants, and managers of sports companies.

3.2 IN-DEPTH ANALYSIS OF CONSTRAINTS

The second half of the Volume II provides a detailed assessment of constraints that impede the development of black private sector enterprises. The constraints cover a wide range of issues and areas, namely, apartheid structures and discriminatory attitudes; regulatory measures and related mechanisms designed to disqualify black enterprises; lack of access to finance and capital; lack of facilities and infrastructure in areas set aside for black business development; lack of experience, knowhow, training and professional support mechanisms; and a shortage of trade and general business institutions to support and enhance specific business sectors. However, the most crucial shortcomings revolve about lack of access to major wealth generating resources such as land and fixed property. Without the latter means most black entrepreneurs cannot hope to raise sizable capital for the formation of small to medium-sized enterprises.

In view of the current size and location of black businesses, the analysis is predominantly skewed towards micro-informal operations. This has been the focus of post-1976 social responsibility programs sponsored by several major primary sector corporations. Considerable research and seminars have been conducted in this area. However, these efforts seem to have failed to stimulate significant dynamism among black enterprises. Available research shows that in spite of the 1979 government concessions, a plethora of apartheid measures continues to hinder smooth development of the black private sector.

The question being asked frequently among black business operators and leaderships is whether or not big business sponsorship of small scale black private sector projects is really intended to encourage growth. There is considerable doubt among black leaderships and some small business development specialists about the scope or long-term commitment of big business in this area. One of the most popular opinions emanating from the black community maintains that white businesses' sponsorship of small and informal sector activities is deliberately designed to stifle and frustrate entry of black people into the bottom to medium-sized end of the primary sector.

4. SUMMARY OF VOLUME III

4.1 ATTITUDES TOWARDS BLACK BUSINESS SUPPORT ORGANIZATIONS

Volume III provides a comprehensive inventory of primary sector organizations - with government, semi-government and private sector funding - for the development of formal and informal micro-sector businesses. The document also analyzes black business operators' attitudes and perceptions towards NAFCOC. An in-depth evaluation of NAFCOC strengths and weaknesses is undertaken.

In addition, Volume III presents recommended strategies for purposes strengthening NAFCOC. Detailed in-person presentations of recommendations have been made to key NAFCOC management executives.

5. SUMMARY OF VOLUME IV

5.1 PROGRAM OPTIONS AND STRATEGIES

This document presents alternative program options and strategies for consideration by USAID/SA. Attempts have been made to prioritize the program options and strategies. The Contracting company did not take factors such as budget, availability of personnel and relationships between USG and SAG into consideration. The primary concern here is to present alternative solutions whose implementation will have effective structural as well as demonstratable impact on the apartheid society. The suggested program options are, by no means, complete or exhaustive: for instance, solutions regarding the issue of farming have not been taken through to their logical conclusion largely due to the fact that the country's laws have made it impossible for black South Africans to engage in substantial commercial farming outside the homeland areas. In view of USG non-recognition of and non-involvement in homeland areas, it is academic to argue any further the case for USAID/SA involvement in black farming. However, the point is made that the return of black people to commercial farming holds the key to meaningful black economic empowerment.

6. ANNEXES

This section presents additional data - tables, reports and other supplemental information that form part of the main analysis. The section also presents full lists of bibliographical data as well as material used as reference.

CHAPTER III

OVERVIEW OF THE SOUTH AFRICAN ECONOMY

- 1. HISTORICAL BACKGROUND**
- 2. STATUS OF THE SOUTH AFRICAN ECONOMY**
- 3. SELECTIVE APPLICATION OF FREE ENTERPRISE**
- 4. ECONOMIC PERFORMANCE AND INTERNATIONAL PRESSURE**
- 5. SOUTH AFRICA ENTERS INTO A SIEGE ECONOMY**

1. HISTORICAL BACKGROUND

South Africa's economy is one of the success stories of Africa. It leads other African countries in terms of being the continent's only major food exporter; it has the highest per capita income and life expectancy. However, South Africa is only a "middle-income developing country" - a category it shares with countries such as Nigeria, Brazil, Argentina, Israel, and Spain. The country's economy has grown dramatically over the course of this century. Between 1950 and 1979 South Africa maintained an overall growth rate, adjusted for inflation, of 4.4 percent annually. To a large extent, this steady growth rate was achieved by the use of cheap labour. Modern sector employers have effectively kept labour costs down by replacing white workers with black people in the unskilled and semiskilled job categories. This substitution process, combined with increases in labour productivity, has allowed wages for both groups to increase without cutting into profit margins.¹

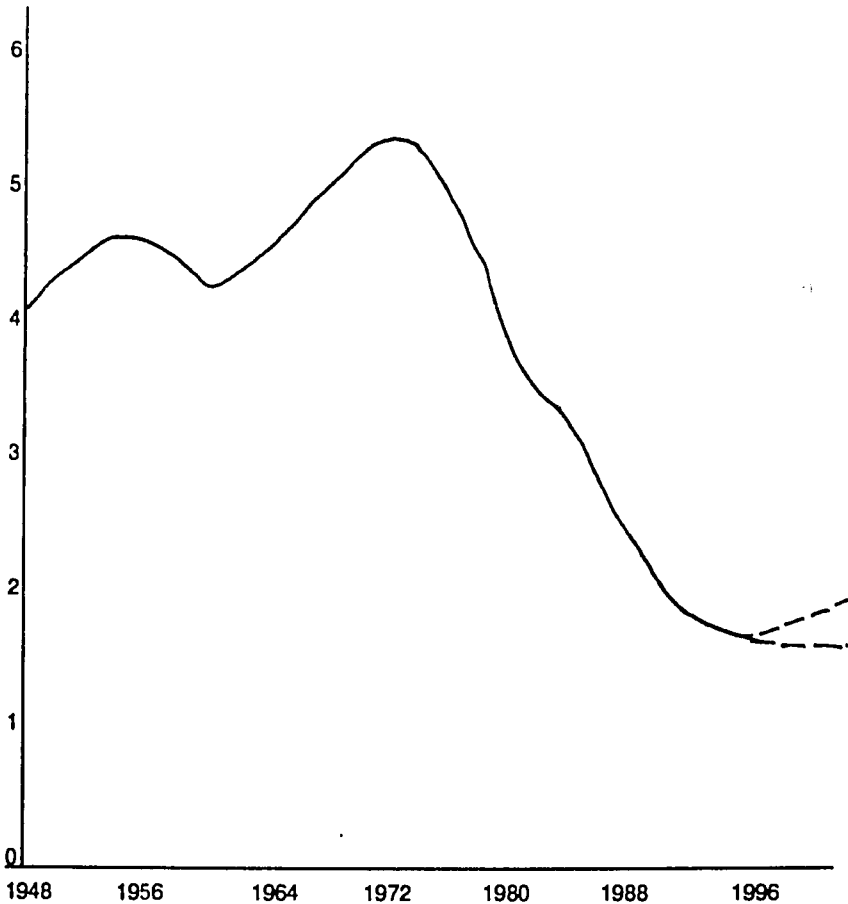
However, since the mid-1970's, the South African economy has been on a progressive decline largely due to factors such as government mismanagement of the economy; rapid increase in black political and labour activities; international pressure in the form of stringent debt repayment, sanctions and the disinvestment of multinational corporations from South Africa. South Africa is one of those countries that have a combination of acute shortages in skilled labour and a high unemployment rate. The country faces some serious dilemma.

John Merriman² observes that while Pretoria contemplates its options, private sector economists point out that the government is in a quandary. Like tightrope walkers, South Africa's economic policy makers are uncomfortably aware that the central dilemma confronting them is how to balance the conflicting aims of trying to generate economic growth to contain spiraling domestic unemployment against the demands for accelerated debt repayments from increasingly restive, even hostile, foreign bankers. Merriman adds that the short term impact of sanctions does not appear to have harmed the economy adversely but it has added to the flight of foreign capital from the economic growth prospects.

Further, Merriman quotes Reserve Bank governor Gerhard de Kock and other top officials who "believe that the international bankers, who have sandbagged South Africa on the bank issue, have already hurt the country more than a whole array of trade sanctions and further corporate pull-outs are likely to."³

In his 1987 review of South Africa's economic prospects, Professor J L Sadie,⁴ Management Committee chairman of the Bureau for Economic Research - Stellenbosch University, uses the long-term view to explain the predicament that the country's economy is currently experiencing. He uses the Kondratieff⁵ to explain current economic performance against previous years of unprecedented high growth. Sadie maintains that the performance of the South African economy has, to a major extent, been determined by long run and structural forces whose impact is most likely to linger on into the morrow, unless there is resolute human endeavour to negate it. These forces manifest themselves in long cycles of economic growth and decay which can be stylized into a Kondratieff extending over 45 to 60 years as diagramed in [the accompanying] graph which traces out the course of a 6 x 3 moving average of annual growth rates of the South African GDP.

Percentage Growth Per Annum



Source: Bureau of Economic Research, 1987

Sadie divides the 1946 - 1986 time-frame into three periods of almost equal length, to produce the following average annual compound rates of increase of the GDP:

1946 - 1960 :4,5% p.a

1960 - 1974 :5,4

1974 - 1986 :1,8

With 1974 as the watershed year between the era of vigorous growth and the beginning of the era of the anaemic economy, the growth since then has averaged one-third of the preceding fourteen years' rate, and with every new year added to the post-1974 period the moving average has been inexorably downwards. The South African economy is moving along the trough, or stagnation phase, of the Kondratieff, and historic precedents would suggest that it might continue doing so for a considerable number of years in the absence of countervailing human intervention. There is, of course, no need to subscribe to a belief in the existence of the Kondratieff to appreciate the significance of the above statistics and of the forces responsible for, what might alternatively be called, the era of the ailing economy following upon an era of vigorous economic health; or the lean years versus the golden years.⁶

Sadie traces current economic malaise back to the exigencies of the 1939-1945 war effort and the abandonment of the gold standards. The abandonment of the gold standards gave a "fillip to the mining industry. This entailed the creation of new capacity for the production of war material, the employment of an additional 123 000 factory workers and the mobilization of 350 000 persons for military service, which added some 23% on to the numbers in the non-agricultural labour force ensured of a regular income. The war ended with pent-up civilian demand which could not be satisfied by means of imports from war-ravaged Europe in the medium term. When the outflow of funk money created balance of payments (B/P) problems, import control was instituted to be followed later by exchange control.⁷

This meant the management and neutralization of the vulnerable element in the South African economy (the B/P) which acts as an effective constraint on economic growth, for the promotion of such growth. The powerful protective cover thus provided for South African industries, in addition to a strongly positive tariff policy plus the pent-up and burgeoning domestic demand formed the base for an import replacement process which boosted the economy into a higher orbit. The process was given maximum scope by an environment of predominantly peaceful industrial relations, partly induced by the ability of the economy to accommodate rising expectations by means of increasing both employment and remuneration while permitting upward mobility in the skill

hierarchy. While there was capital intensification of production it was not primarily a labour (or wage) induced substitution of capital for labour. At the same time, the returns to capital (as represented by the ratio of the operating surplus to the capital stock) while declining slightly, remained above 20% until the beginning of the seventies, thus providing an incentive to invest.⁸

These growth-promoting domestic factors were reinforced by a hospitable international environment in the form of a rapid expansion of world trade at an annual rate of 7,9% per annum, concomitant with a growth rate of 4,6% per annum on average of industrialized economies, whose aid to Third World countries enhanced the latter's ability to import. This meant an expanding demand for South Africa's traditional exports at prices which maintained reasonable terms of trade for the country, and ensured an adequate supply of foreign exchange to meet the needs of the intermediate and capital goods-importing manufacturing industries.⁹

The growth induced by the above combination of forces was all the while excited into higher levels by the working of the multiplier and the accelerator. Last, but not least, there was an increasing supply of entrepreneurial (and managerial) enterprise to exploit the opportunities offered by the hospitable circumstances. In particular, the Afrikaans speaking community sought to advance its share in the economy in the entrepreneurial function, very often as a matter of faith than calculation.¹⁰

2. STATUS OF THE SOUTH AFRICAN ECONOMY

In the paragraphs that follow, we feature different views and opinions about the current status of the South African economy. This evaluation was conducted by a group of external economic analysts on behalf of Consumer Behaviour. In parts, some of the arguments and opinions presented tend to corroborate J L Sadie's foregoing opinions about South Africa's economic prospects. The Consumer Behaviour analysis observes that South Africa's economy has undergone a major crisis throughout the 1980s. Despite a massive gold boom that launched the decade, South Africa is facing its greatest economic challenge since it was founded in 1912.

Most economic analysts agree that real economic growth will not exceed 3% per annum. Merriman's economic analysis, cited under section 1: Brief Historical Background to the South African Economy, supports this rather optimistic approach. Merriman's sources of information are mainly South African government spokesperson(s) who, like J L Sadie, tend to adopt a rather optimistic view of the economic future. The optimistic attitude is maintained in spite of current major problems such as foreign debt crisis, collapse of the rand, soaring inflation, increasing sanctions, disinvestment and fundamental internal political unrest.

Some leading private sector economists are even more hopeful. Robert Lee, chief economist of South Africa's largest assurance group, the South African Old Mutual Society, maintains that growth could reach 4%, but that this would require gold to average around \$450 per ounce per year. Both Mike Brown, economic consultant to leading Johannesburg stockbrokers Davis Borkum Hare, and Mike Daly, economist for the Anglo American-controlled Southern Life Assurers, see 3% to 4% as the likely range. Many economists and analysts consulted by Consumer Behaviour analysts maintain that it is precisely because the economy has been depressed for so long, particularly through 1985 and most of 1986, that a cyclical upturn is inevitable.

In addition, the government has decided that growth is the priority. Some of the private sector economic analysts referred to above, forecast that South Africa has begun to benefit from recent good rains and a higher gold price than prevailed in 1985-86. G M Pellissier,¹¹ of the Bureau of Economic Research, claims to have started noticing some improvement in economic activity during the first quarter of 1987 - especially in the manufacturing sector, where total physical output was said to be increasing. Pellissier observes that "the up-tick in economic activity is also reflected in an improved utilization of productive capacity in the manufacturing sector. This is fairly broadly based

and includes sectors such as motors, basic iron and steel and industrial chemicals. The performance of wearing apparel and textiles is particularly noteworthy in this regard." Pellissier concludes that the economic expansion is clearly not yet spread over the country as a whole and many indicators suggest that economic activity will not pick up in tempo at a fast rate but will move sideways for a while.

There are business persons who believe South Africa is still capable of obtaining average annual growth over the next five years of between 3% and 4.5%. The improved picture of South Africa's economy has, however, to be viewed against the poor performance of recent years and all the doubts that must surround the medium to long-term outlook.

Average real economic growth, as measured by the official gross domestic product figures, increased by only 1.1% annually over the six years 1981-86. With a population growth of all race groups of some 2.5% a year - though less than 1% for whites - this means that real per capita living standards have been declining. With their rather high standards of living, white South Africans have been greater losers than their indigenous counterparts. Unemployment, predominantly among black people, soared at the same time. The country's unemployment figures as reported by the government are largely meaningless because they exclude millions of the indigenous population. This is mainly because black people living in so-called "independent states" of Transkei, Bophuthatswana, Venda and Ciskei are not included in official data. The South African government officials are rather sensitive about disclosure of black unemployment statistics. This, because the issue has serious political implications.

Estimates about black employment and unemployment statistics have transcended into the realm of sensitive politics. As can be expected, experts who are sympathetic to or supportive of the South African government tend to offer grossly understated estimates. Conversely, those who are critical of the government's economic and political policies offer estimates that appear somewhat exaggerated. Professor J Keenan and his associates fall into the latter category: recently, Keenan estimated that black unemployment was in the region of six million countrywide i.e. including "white" and "black" South Africa.

Most economic analysts appear to be more comfortable with figures that were produced by The Small Business Development Corporation - a quasi-government funded organization. The SBDC estimated that a total of four million (30%) of all potentially economically active black people were without employment. The Progressive Federal Party, the former official opposition party, put the number at a minimum of three million. However, some respected labour economists, including Jill Nat-

trass of Natal University and Wolfgang Thomas of the University of the Western Cape, put the figure at about two million.

3. SELECTIVE APPLICATION OF FREE ENTERPRISE

The 1980s have witnessed a major move in South Africa away from controls and bureaucracy and towards market-oriented forces as the main instruments of economic policy. Interest rate controls have been eased, although the chronic fall in the foreign exchange rate of the rand and the depressed level of domestic economic activity have together made them redundant in many areas anyway. The country's currency - the rand - has been freed from any formal fixed coupling rate with the dollar or any other currency. The movement towards free markets began at the end of the 1970s when South Africa was enjoying its last genuine boom. The coincidence of events such as economic near-stagnation accompanying free-market moves, has led some businessmen and academics to argue that South Africa is not ready for some kind of free-market approach. But it is generally agreed that South Africa's is not a free-market economy.

Particularly strong criticism has come from Fred du Plessis, chairman of Sanlam, the country's second largest insurance group with massive mining and industrial interests. Du Plessis argues that, in South Africa's besieged internal and external political circumstances, it is not possible to pursue free-market economics. He also contrasts South Africa's record in the 1980 with that of the 1960s and 1970s when growth generally flourished and inflation was minimal. J L Sadie argues that "we do have an economy in retreat, and so is the system to which it is linked...Now it is time for the private enterprise system to prove that it is a system for all seasons and not a fair-weather friend...Economically speaking, a free enterprise system itself has little merit unless it is also a dynamic enterprise system inciting ever increasing volumes of goods and services per capita of the population (rather than providing opportunities for the generation of paper profit millionaires). It will prove itself in 1987 and the years to come, not by waiting for favourable omens in the market to react to, but to create the market conducive to (further) growth."¹²

De Kock, the governor of the country's Reserve Bank, disagrees with some of the sentiments cited above. He maintains that the structural slowdown of South Africa's rate of real economic growth began around 1974, not in 1981. Compared with 4.9% between 1946 and 1974, the average annual growth rate of real gross domestic product in South Africa was only 1.9% between 1974 and 1985. That is despite the inclusion in the latter of the record-breaking golden years of 1979 and 1980. According to De Kock, the sharp deterioration occurred mainly as a result of a decline in the ratio of exports to gross domestic

product and a weakening in the terms of trade. The slowdown in export growth was in turn related to the leveling out of world production during this period, beginning with oil price increases in 1973. In the decade preceding 1973, total world production increased on average by 6% a year. Subsequently, during the 10 years to 1983, it increased at an average annual rate of only 2%.

De Kock's views and explanations are supported by most South African business leaders and economists - particularly in the private sector. Conrad Strauss, chairman of Standard Bank Investment Corporation and a former chief economist of Standard Bank argued that a major factor in the relatively poor performance of the South African economy since 1980 is that the balance of economic advantage in the world has been slipping away from primary producing economies towards the developed industrialized countries. This has left South Africa, like other countries sharing a similar economic structure, with deteriorating terms of trade and an unbalanced economy.

Strauss adds that there are several reasons for this shift. Among the most important have been significant changes in technology in the development countries, away from consumption of base metals. The result has been a change from a previously stable relationship between the rate of growth in world industry on the one hand and the increased consumption of primary commodities on the other. Furthermore, much of the growth in the developed countries has centered on light industry and on services. This has had an unfavourable effect on the demand for raw materials and, therefore, on their price. He further pointed out that sharp reduction in inflation in virtually every industrial country in the 1980s and the accompanying return to positive interest rates had sharply hit the prices of precious metals, although gold and particularly platinum have recovered some ground in the past year. Precious metals account for roughly half of South Africa's total exports.

4. ECONOMIC PERFORMANCE AND INTERNATIONAL PRESSURE

South Africa has suffered severely from capital starvation. From 1976 to 1984 - before the foreign debt crisis erupted and before sanctions and disinvestment were almost permanent front page news internationally - foreign capital inflows into South Africa were undergoing a change. On the surface they looked satisfactory. There were, for instance, huge net long-term inflows in 1982 and 1984 which together totaled over R5 billion (about \$4 billion at the average prevailing exchange rates). These overall figures disguised the fact, however, that nearly all the funds coming in were medium-term loans, mostly to the public sector corporations. New private sector fixed investment from abroad was minimal gross, negative overall. Indeed from 1976 to

1984 there was actually a net outflow of about \$700 million of long-term capital from the private sector, although these calculations are complicated by the then two-tier currency system with the financial rand (scrapped at the beginning of 1983 but re-imposed from September 1985) as the vehicle for foreign investment and disinvestment.

The situation is actually far worse. Even as early as the end of 1973, foreigners were becoming much more nervous about investing in South Africa. Aubrey Dickman, chief economist of the Anglo American Corporation, the cornerstone of the largest and most powerful private sector groups in the country, argues that as would be expected of any developing country, domestic savings in South Africa were inadequate on average between the 1965-73 period to finance a relative high rate of investment. The shortfall between domestic savings and domestic investment, necessarily reflected as a deficit on the current account of the balance of payments, was almost completely offset by net capital inflows to the private and public sectors. He adds that during the subsequent period 1973-83 the capital flow was negative on average. The net result was a much lower economic growth rate per annum, and a significant drain on the country's gold and foreign exchange reserves, leaving it in an extraordinarily weak position to cope with subsequent problems. From mid-1984 to mid-1986, real GDP fell and substantial surpluses of domestic savings had to be generated and reserves depleted further to finance massive outflows of capital of both foreign and domestic origin.

South Africa has become a compulsory exporter of capital. This arises from the foreign debt crisis and the demands by creditor banks for repayment. This means that for the rest of the decade at least, South Africa will be forced to keep running surpluses on the current account of the balance of payments if it is to secure any continuing rescheduling deals with its creditors. There are some in the government who believe that South Africa should be prepared to default entirely on its debt commitments rather than let the domestic economy be weighed down by a continuing repayment burden. However, Barend du Plessis, De Kock and Chris Stals, director-general of finance (permanent head of the Treasury) are strongly opposed to this. They argue that the country would have more to lose, from attempts overseas to attach South African assets, including export proceeds, than it would have to gain. Nevertheless, these three argue that, if the final choice is between default and a Carthaginian peace with creditors, then default would be the better alternative.

Van Wyk, a former chief economist of Central Merchant Bank (Santbank), also believed that the South African economy could show immense improvement in its growth. He had no illusions, however, about the negative impact that sanctions were likely to have. Some

businessmen and economists have suggested that sanctions will help South Africa overall because they will compel development of job-creating import substitution industries, the benefits of which will outweigh the damage from sanctions. There is some truth in this. The state-run Investment Development Corporation calculates that about R4 billion (just under \$2 billion at end January exchange rates) of imports could be made in South Africa to the advantage of employment, if not of cost. But both De Kock and Harry Oppenheimer, the patriarch of South African business, have warned against such optimism. Van Wyk is equally dismissive. He said that pressure for sanctions, especially on the export side, is mounting. Yet, prominent South African politicians and community leaders from time to time revel in smugness and even glorification of the threat from overseas and particularly the danger of sanctions.

Illusions about any net beneficial effect from sanctions should have been destroyed by a study at the end of 1986 by the South African Federated Chamber of Industries. The FCI looked at three possible sanctions situations. The first situation dealt with sanctions remaining as broadly as they were at the end of 1986. The most damaging sanction is the cut-off of foreign capital. But whether such action is compulsory (as in the US) or through a "voluntary appeal" by government (as in Britain) is practically irrelevant. The stark fact is that there is no bank in the world willing to lend to South Africa - apart from trade credits - whatever its government policy. As for export sanctions, the main areas affected are coal and steel. Coal is at substantial risk with two big customers - France and Denmark having imposed sanctions along with the US and other countries. Steel products are also subject to more widespread sanctions in the US, Western Europe and some other previously useful markets such as Hong Kong. But the ban imposed on the import of the Krugerrand, though meant to hurt, matters little to South Africa. This action would result in a 4% aggregate loss in potential GDP over five years (1987-1991).

The second alternative looked at the prospect of sanctions being tightened on all exports, except gold and strategic metals and minerals. This would encourage substantial leakages or sanctions busting to take place, resulting in a 16,9% aggregate loss in potential GDP over the next five years. The third and final alternative looked into the imposition of United Nations sanctions with gold and strategic metals still exempt: there would be few leakages or sanction busting. In this instance, there will be 29,3% aggregate loss in potential GDP over the next five years and some 1,135,000 jobs will be lost.

5. SOUTH AFRICA ENTERS INTO A SIEGE ECONOMY

South Africa is technically committed to market-oriented rather than controlled economic policies. But any country under siege is bound to have some degree of centralist planning, even if the guidelines are only indicative. So it is with South Africa. On November 7th last year, President P W Botha and all his leading ministers and financial policy-makers met with a large section of private sector representatives to discuss the so-called new national economy strategy. This strategy was mapped out by a group of public and private sector figures. The strategy depends on a concept known as "inward industrialization". The concept argues that South Africa is a First and Third World mix and that the growth impetus over the next decade must come from and through the Third World or indigenous private sector. The priority for development in this sector is justified on grounds of first, socio-political necessity and second, the fact that new fixed investment in this area, with special emphasis on housing, will depend less on imports and more on labour. Both are vitally necessary to South Africa.

There are, however, disagreements among leading business managers about the ingredients and/or conditions that are necessary to bring about the kind of economic growth that is dictated by population growth and other factors. The more liberal business leaders maintain that without radical political reform - basically dialogue with the African National Congress, among others, leading to one-man-one-vote - the economy cannot hope to prosper on any medium to long-term basis. In essence, big business leaders are divided into two camps: on the one hand, are those who believe economics can be detached from politics, and on the other, there are others who believe that no strategy, however sensible in itself, will work unless accompanied by fundamental political reform within South Africa.

Dr Z de Beer, a leading former politician, is among the most unequivocal white liberal critics of South Africa's whole political system. He argues that the South African government has the electoral support of little more than half the white voters, or not more than 10% of all the people it governs. There is ample compelling evidence that the other 90% of the people whom it governs don't want it. That is why the country has to be governed without the rule of law, by force, by military compulsion. De Beer adds that South Africa has a government without legitimacy. Unless the (white) voters demonstrate the far-sightedness and magnanimity to break out of the vicious circle, the prophets of doom who surround our country will sooner or later be proved correct, concludes De Beer. Even without the apocalyptic political situation hanging over South Africa, there are daunting economic obstacles to growth. The country is faced with capital starvation and the need to ex-

port savings to repay debt. Gross fixed investment is well down now on the levels of five years ago, particularly in private manufacturing.

According to the Reserve Bank, gross fixed investment, in constant 1980 prices, was R14.9 billion at the end of 1985 against R17.7 billion at the end of 1981. For manufacturing, the level slumped from R4.2 billion to R2.3 billion. Final figures are not available for 1986 but preliminary statistics indicate a further aggregate fall in total fixed investment in real terms of about 2.5%. Inflation is another constraint that operates against rapid economic growth. South Africa has suffered double-digit rises in the annual cost of living for the past 12 years, averaging around 14%. Until the early 1980s, however, there was at least the comfort of being in good company. In 1980, for example, South Africa's inflation rate was 13.8% compared with an average of 11.7% for the US, Japan, West Germany, Britain and France, according to the International Monetary Fund. South Africa, in fact, fared better than the US and the UK. By 1982, however, the average for the Big Five was down to 6.9%, while the South African level was up to 14.7%. In 1985, South Africa's inflation rate, as measured by the official Consumer Price Index (CPI), was 18.5%.

Whether or not, however, growth is 2% or 4% in 1987 it is clear that at some point inflation must add to the already heavy list of constraints on economic growth. It could be argued that, so long as South Africa has no demand inflation, it is acceptable to allow sharply negative interest rates as a means to boosting growth.

Economists like Brown and Lee, who are optimistic about the immediate short-term growth prospects, are much more gloomy about the outlook for 1988 and beyond. Both see the government being faced next year or perhaps late this year - with the option of either plowing on with the growth priority and risking inflation of 20% to 25% in 1988 or of putting the traditional fiscal and monetary brakes back on. Given the fragile level of confidence, it would be easy enough to arrest the growth momentum all too rapidly. Yet, if inflation is allowed into the 25% level, it could be that South Africa would find itself caught on the first rung of hyper-inflation and with the only escape route recession being even more painful than that of mid-1985 to mid-1986.

CHAPTER IV

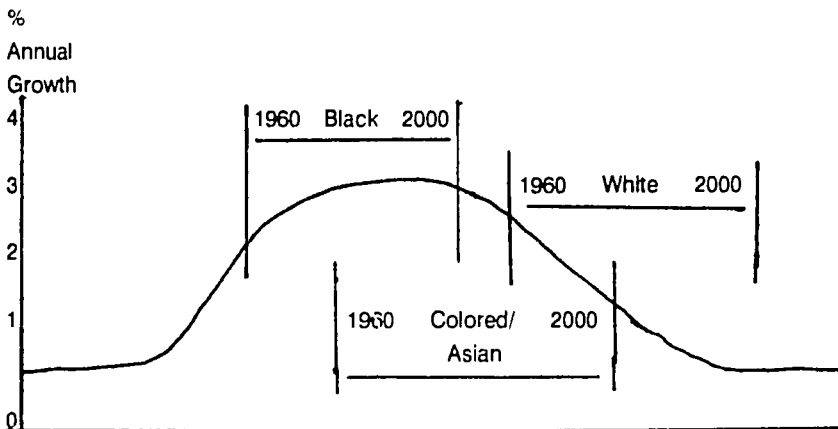
OVERVIEW OF THE BLACK PRIVATE SECTOR

- 1. PROFILE AND DISTRIBUTION OF BLACK POPULATION**
- 2. BLACK SHARE OF EMPLOYMENT**
- 3. BLACK PER CAPITA INCOME**
- 4. BLACK SHARE OF PERSONAL INCOME**
- 5. PRIVATE CONSUMPTION EXPENDITURE PATTERNS**
- 6. COMPOSITION OF TOTAL PRIVATE CONSUMPTION**

1. PROFILE AND DISTRIBUTION OF THE BLACK POPULATION

One of the major sources of concern for economic and political policy makers centres about the rapidly growing indigenous population group with an annual growth rate of about 2,5%. The graphic illustration demonstrates disparities in population growth rates amongst the three main sectors of the population. The growth of the indigenous population group remains at a high level (between 2,5 and 3% per annum) between 1960 and 2000. Among Colored and Indian South Africans, their combined annual growth rate will decline from 3% per annum in 1960 down to 1,25% in 2000. The growth of the whites also declines, from 2% per annum in 1960 to 0,5% in 2000.

Projected Population Distribution



Source: South African Old Mutual Society, 1986

These differential growth rate patterns have a profound bearing on the composition of the total population in terms of race, age, occupation and urbanization, as well as on income levels and the general standards of living, health and education a society can provide to and for its members. Dr R W Bethlehem,¹³ Group Economics Consultant for the Johannesburg Consolidated Investments company, notes that in South Africa, it is in the area of population growth that the most obvious transformation is occurring. He adds that it is not enough merely to draw attention to a probable increase in the total national population to nearly 47,5 million by the year 2000, of whom about 41,5 million will be black people. There is the massive increase in the black population which derives from the differential age structure of race groups in South Africa. In 1980 no less than 60 per cent of the African group was under the age of 20 years, compared with 57 per cent of the Colored,

50 per cent of the Indian and 42 per cent of the white groups, respectively.

Table 1 Selected Dimensions of the Population of South Africa

	1960 '000	1970 '000	1980 '000	1990 '000	2000 '000
Total Population	16902	21794	28049	35422	44717
White	3088	3773	4458	5000	300
Colored/Asian	1986	2681	3350	3888	402
Black	11828	15340	20241	26534	35015
% Black	70,0	70,4	72,2	74,0	78,3
Total Urban Population	7481	10410	15800	21800	29600
White	2600	3300	4000	4500	4800
Colored/Asian	1400	2100	2700	3300	3800
Black	3481	5010	9100	41000	21000
% Black	46,5	48,1	57,6	64,2	70,9
Total Pup'ls/Students	2707	4557	6975	9750	13113
White	761	1077	1249	1300	1352
Colored/Asian	438	706	1020	1190	1240
Black	1508	2774	4706	7260	10548
% Black	55,7	60,9	67,5	74,5	80,4
Total Aged 15 - 64					
	8963	11871	15720	20112	26079
White	1876	2341	2803	3161	3413
Colored/Asian	1038	1400	1898	2197	2602
Black	6049	8130	11019	14754	20064
% Black	67,5	68,5	70,1	73,4	76,9

The country's economic planners will have to contend with major geographic population shifts which are altering the very character of the country's cities. Comparative figures for urbanized race groups at the turn of the century show that out of a total urban population of 1,2 million in 1904, only 29,1% was African. By 1980 South Africa's urbanized population of approximately 14,3 million was about equally divided between Africans (7,6 million) and 'non-Africans', i.e whites, Coloureds, and Indians - who total 6,7 million. In terms of these projections, by the year 2000, urbanized Africans will outnumber the urbanized non-Africans by about three to one.

The possibility of the white community retaining its present proportion of total national income is ruled out, given current demographic trends. In absolute terms there is a clear shift of economic power towards the African community, although this remains unacknowledged in their ownership or influence in the corporate sector. The persistence of black exclusion from the institutions of constitutional authority, naturally has become an issue of increasing political contention and dispute.¹⁴

Table 2 Projected Population Distribution of South Africa

	1970	1980	1990	2000
	'000	'000	'000	'000
Total	2179	4 28049	35422	44717
White	3753	4445	5000	5300
Colored/Asian	2664	3336	3900	4400
Black - Urban	4476	5780	7200	9100
Rural	3726	3788	3800	380
Total	8202	9568	11000	12900
Total*	14619	17349	19900	22600
White/Colored/Asian	37	27	22	17
Black - Urban	594	3320	6800	11900
Rural	6544	7353	8700 3	10200
Total	7138	10673	15500	22100
Total**	7175	10700	15522	22117

Note: * Total South African population excluding homelands.

** Figures refer only to population in homeland areas.

There are other far-reaching implications of the massive shifts in demographic transformation. For instance, a future South African state will depend upon the indigenous population group for tax revenue. At present the major source of direct taxes is the white community: individuals make up the best part of R 400m; corporations, R8 430m. Therefore, if income is to be redistributed to black South Africans, two possibilities present themselves for maintaining government revenue levels. Either the indigenous community will have to increase its contributions to direct tax, which implies massive rise in total personal income; or there must be a total major shift to indirect taxation.

2. BLACK PER CAPITA INCOME

The average per capita income of a black in 1980 amounted to just under 12% of that of a white. The following table illustrates how incomes are distributed according to race groups. Income figures for 1990 and the year 2000 are projections.

Table 3 Income per Capita by Race in South Africa (In Rand)

	1960	1970	1980	1990	2000
White	843	1643	4633	15762	44935
Colored/Asian	193	387	1263	4935	15109
Black	74	126	584	2546	8461
Black (% of white)	8,8	7,7	11,8	16,2	18,8
Black (% Colored/Asian)	38,3	32,6	43,4	51,6	56,0

There are considerable disparities between the per capita incomes of black and white South Africans. These disparities reflect the secondary or minority status of black people within the South African society. The disparities also reflect the position of black people in an economic order where demand has largely been, and to a degree still is, for black people to perform menial and repetitive tasks requiring minimal to generally low levels of skills. At this level the number of black people seeking employment invariably exceeds the number of jobs available. This situation is changing - black South Africans are acquiring more and improved skills as they move into better positions and also become more proficient. However, the general paucity of opportunities which otherwise would permit all black people wanting to work being able to do so, and particularly for the many with no or limited skills, will persist well into the next decade and probably beyond.

This does not augur well for the less advantaged black people. However, pressure from organized black labour and the greater earning capabilities of more advantaged black people, should together effect an improvement in the ratio of the average per capita income of a black worker relative to that of a white worker. In recent years, South Africa has been slipping backwards into a scenario of underdevelopment. The economic growth patterns of the 1980's have demonstrated how economic failure to match population growth brings about catastrophic consequences. The one per cent increase in real GDP means that the economy has failed to match the 2,5 per cent population growth.¹⁵

3. BLACK SHARE OF EMPLOYMENT

The economically active component of the total population has risen from 33,8% in 1960 to 39,7% in 1980. It is expected to increase further to 43,2% in 2000, while the proportion of females is liable to double from 23,1% in 1960 to 46% in 2000. Dominance by the black people of the economically active population amounted to 68% in 1960, rising to 72% in 1980, and by 2000 this figure should be 79%. The proportion of black people to the economically active total in each occupation category is showing a tendency to increase steadily in all instances except in service and unidentified occupations.

While the proportions of black people in managerial, professional, clerical and sales occupations are expected to increase significantly, the 1,3 million in these occupations in 2000 will still be small relative to the 5,7 million black people in farming; the 5,2 million in blue collar jobs, and even the 2,2 million in services. The point to be made here is that, in order to cope with the future needs of the growing population, South Africa will have to make massive investments in jobs, and even the 2,2 million in services.

Table 4 Dimensions of the Economically Active Population('000)

	1960	1970	1980	1990	2000
Total economically active	5721	8114	11132	14682	9298
% of total population	33,8	37,2	39,7	41,4	43,2
Sex - Male	4397	5390	6522	8222	80421
Female	1324	2723	4610	6460	8877
% Female	23,1	33,6	41,4	44,0	46,0
Race - White	1151	1509	1975	2276	2423
Colored/Asia	680	898	1122	1341	1626
Black	3890	5707	8035	11065	15249
% Black	68,0	70,3	72,2	75,4	79,0
Occupation: Farming					
	1731	2526	3217	4501	5852
White	117	96	74	58	42
Colored/Asian	139	128		103 83	61
Black	1475	2302	3040	4360	5749
% Black	85,2	91,1	94,5	96,9	98,2

Managerial/professional	274	447	623	805	1014
White	197	313	423	489	516
Colored/Asian	23	39	61	84	117
Black	54 95	139	232	381	
% Black	19,8	21,1	22,3	28,8	37,6
	1960	1970	1980	1990	2000
	'000	'000	'000	'000	'000
Clerical and Sales	473	849	1191	1751	2452
White	374	559	801	994	1128
Colored/Asian	51	116	180	248	333
Black	48	174	210	509	991
% Black	10,2	20,5	17,6	29,1	40,4
Blue collar	1949	2540	3863	4587	6367
White	376	394	488	494	458
Colored/Asian	257	395	471	552	709
Black	1316	1751	2904	3541	5200
% Black	67,5	69,0	75,2	77,2	81,7
Services	902	1262	1581	2079	2698
White	59	103	140	180	211
Colored/Asian	132 1	43	202	239	276
Black	711	1016	1239	1660	2211
% Black	78,8	80,5	78,4	79,8	81,9
Unidentified	391	491	657	959	915
White	59	45	49	61	68
Colored/Asian	77	78 1	05	135 1	30
Black	286	368	503	763	717
% Black	73,1	75,1	76,6	79,6	78,4

In terms of data presented in the foregoing table, just under 30% of economically active black South Africans are not involved in the economy. This figure should be treated with extreme caution seeing that it does not accurately reflect the true unemployment situation. The South African government maintains a tight grip on the dissemination of unemployment figures - for political reasons. Another significant point to be made here concerns the rather high black involvement in farming (85%). This involvement is almost exclusively in the form of the provision of menial labour rather than ownership and/or management of farm production. Conversely, the involvement of whites in farming is almost totally in terms of ownership and/or management. In the farming sector, white ownership of farms is upward of 90%. The balance is made up of black and Indian farmers. However, the proportion of black ownership of farming land is rather negligible.

From the foregoing table, it is evident that for it to cope with the future needs of its rapidly growing population, South Africa will have to make massive investments in education, training, and provision of infrastructure. These will be additional resources to those already planned for. For the foreseeable future, the vast majority of black South Africans will still be engaged predominantly in farming, blue collar and service occupations. The slow progression from peasant/tribesman to farm labourer and unskilled industrial/service worker: to operative/semi-skilled worker; to skilled worker, and ultimately to white collar clerical, service, professional and managerial occupations, will continue to be concentrated predominantly at the peasant/tribesman, farm labourer and unskilled industrial/service to operative/semi-skilled worker levels, because of the large rural-based component of the black population.

Table 5 Profile of Occupations among all Sectors

	1960	1970	1980	1990	2000
	%	%	%	%	%
Farming	30,3	31,1	8,9	30,7	30,3
Managerial/Professional	4,8	5,5	5,6	5,5	5,3
Clerical/Sales	8,3	10,5	10,7	11,9	12,7
Blue collar	34,1	1,3	34,7	31,2	33,0
Services	15,8	15,6	14,2	14,2	14,0
Unidentified	6,8	6,1	5,9	6,5	4,7

Whereas the urbanization/industrialization process is still gathering momentum amongst the indigenous population, white South Africans are moving into what can be termed the post-industrial era. This is an area of high technology, white-collar skills and service occupations. It can also be anticipated that whites will continue to be over-represented in the managerial and professional occupations, while those engaged in farming will decline further both in numbers and in relative terms.

Table 5.1 Distribution of Occupations among whites

	1960	1970	1980	1990	2000
	%	%	%	%	%
Farming	10,2	6,4	3,7	2,5	1,7
Managerial/Professional	17,1	20,7	21,4	21,5	21,3
Clerical/Sales	32,5	37,0	40,6	43,7	46,6
Blue collar	32,7	26,1	24,7	21,7	8,9
Services	5,1	6,8	7,1	7,9	8,7
Unidentified	2,4	3,0	2,5	2,7	2,8

Colored and Indian South Africans occupy an intermediate position between Africans and whites. For them, the process of urbanization/industrialization has probably achieved, or is close to, its maximum

degree of penetration. By 2000 they should be manifesting definite signs of beginning to move into the post-industrial era. The occupational breakdown for the total population, remains remarkably stable during the period 1960 to 2000. This is entirely due to the influence of the dominant black component and the underlying forces which in turn determine the stability of its occupational breakdown over this period.

Table 5.2 Distribution of Occupations among Colored/Indians

	1960	1970	1980	1990	2000
	%	%	%	%	%
Farming	20,5	14,2	9,2	6,2	3,8
Managerial/Professional	3,4	4,4	5,4	6,3	7,2
Clerical/Sales	7,4	12,9	16,0	18,5	20,5
Blue collar	37,8	43,8	42,0	41,1	43,5
Services	19,5	6,0	18,0	17,8	17,0
Unidentified	11,4	8,7	9,4	10,1	8,0

Table 5.3 Distribution of Occupations among Blacks

	1960	1970	1980	1990	2000
	%	%	%	%	%
Farming	37,9	40,3	37,8	39,4	37,7
Managerial/Professional	1,4	1,7	1,7	2,1	2,5
Clerical/Sales	1,2	3,1	2,6	4,6	6,5
Blue collar	33,9	30,6	31,1	32,0	34,1
Services	8,3	17,8	15,5	15,0	14,5
Unidentified	7,3	6,5	6,3	6,9	4,7

The black South African share of managerial and professional occupations has major implications for the future of the South African economy. This situation is a direct result of neglect and manipulation by successive South African governments. It should also be pointed out that the primary sector has done too little to help black people advance into managerial and professional occupations. Linda Human's research studies in this area have demonstrated the seriousness of problems relating to the slow advancement of black managers vis a vis managers of other race or ethnic groups.¹⁶

4. BLACK SHARE OF PERSONAL INCOME

The foregoing analysis has highlighted the fact that the high population growth rate amongst black people, due mainly to their large rural base, will continue to perpetuate a situation, on the one hand, of oversupply in the labour market at the unskilled and menial skill levels, and on the other hand, of undersupply at the skilled, professional and managerial levels - because of inadequate education and/or negligible/unsuitable

training. Great amounts of effort, money and time will be required to alter this situation. This situation accounts for the large disparity between the income levels of black people and whites. For the same reason the disparity in income levels is liable to persist into the future - albeit in a slightly less extreme form.

Table 6 (a) Distribution of Personal Income

	1960	1970	1980	1990	2000
	R mil.	R mil.	R mil.	R mil.	R mil.
White					
Remuneration	1849	4763	16465	64049	195403
Other Income	755	1436	4188	14763	42745
Current Income	2604	6199	20653	78812	238148
Colored/Asian					
Remuneration	250	735	3262	15474	54899
Other Income	133	302	970	3714	11611
Current Income	383	1037	4232	19188	66510
Black					
Remuneration	571	1374	8521	54488	244547
Other Income	304	565	2561	13077	51722
Current Income	875	1939	11082	67565	296269
Total (current income)	3862	9175	35967	165565	600927
Taxes/savings/transfers					
White	521	1240	4131	15763	47632
Coloured	15	126	618	3319	13300
Black	4	49	439	3515	18373
Total	540	1415	5188	22597	79305

It has nevertheless been assumed that with rising urbanization and industrialization of the black worker, plus some pay-off from the educational and training inputs being - and still to be - made, an average growth in productivity per worker of 2% per annum during the eighties, can be achieved, and that this can rise to 2,25% per annum in the next decade. Because whites are moving into a post-industrial era dominated by service-type occupations, in which productivity increases are generally of a lower order than in manufacturing, and liable to reduce as service-type occupations increase in relative importance, an average growth in productivity per white worker of 1,25% per annum during the eighties, has been assumed, and 1% per annum for 1990 onwards.

**Table 6 (b) Share of Private Consumption Expenditure
(Including Total Income)**

White	2083	4959	16522	63049	190518
Coloured/Asian	368	911	3814	5869	53210
Black	871	1890	10643	64050	277896
Total	3322	7760	30779	142968	521622
White share of Total Income	67,4	67,6	57,4	47,6	39,4
White share of Total PCE	62,7	63,9	53,7	44,1	36,5
Coloured /Asian Income	9,9	11,3	11,8	11,6	11,1
Coloured /Asian PCE	11,1	11,7	11,7	11,1	10,2
Black : Total Income	22,7	21,1	30,8	40,8	49,3
Black :Total PCE	26,2	24,4	34,6	44,8	53,3

An average growth in productivity per Colored/Asian worker amounting to 1,5% per annum during the eighties and 1,25% during the nineties, has been assumed - because of their occupying an intermediate position in terms of occupational distributions, between black people and whites, and their move towards a post-industrial era only commencing late in the nineties. These various productivity increases, along with annual rates of inflation of 11,9% during the eighties and 9,5% during the nineties, have been used to "grow" per capita remunerations from 1980 to 1990 and to 2000, for each of the three race groups. Total remuneration for each race was then obtained by multiplying the applicable per capita remuneration by the relevant number of whites or Coloureds/Asians or black people.

Estimates of "other income and transfers received" were made, part on the basis of an extrapolation of historic ratios to current income; part on the basis of age distributions; and part on the basis of the incidence of certain occupations and the employment status of members of these occupations.

5. PRIVATE CONSUMPTION EXPENDITURE PATTERNS.

The historic apportionments by race of incomes in terms of taxes, savings, transfers and private consumption expenditure are based on the apportionments contained in some seventy budget surveys undertaken between 1955 and 1979. The apportionments forecast for 1980, 1990 and 2000 are based on the premise that all groups are concerned to at least maintain future standards of living at levels already achieved. This enables forecasts of future apportionments to be made by applying Engel's laws.

Table 7 Private Consumption Expenditure (PCE) 1960 2000

	1960	1970	1980	1990	2000
	Rmil	Rmil	Rmil	Rmil	Rmil
Total PCE	3322	7760	30779	142868	521622
% Total Current Income	86,0	84,6	85,6	86,4	86,8
White	2083	4959	16522	63049	190516
Coloured/Asians	368	911	3614	15869	53210
Black	871	1890	10643	64050	277896
% Black	26,2	24,4	34,6	44,8	53,3
Food, drink and tobacco.	1183	2500	10377	8411	176222
White	604	1260	3668 1	3240 3	8103
Coloured/Asian	184	426	1576	6348	18624
Black	395	814	5133	28823	119495
% Black	33,3	32,6	49,5	59,5	67,8
Clothing and Footwear	342	780	2748	13681	54544
White	250	436	1140	4413	14289
Coloured/Asian	44	126	528	2222	6917
Black	48	218	1080	7046	33348
% Black	14,0	27,9	39,3	51,5	61,1
Housing. Fuel and power	354	961	3020	13710	50279
White	265	741	1906	7566	24767
Coloured/Asian	58	141	549	2301	7449
Black	31	79	565	3843	18063
% Black	8,7	8,2	18,7	28,0	35,9
Furniture & Household	473	1084	3623	16998	62765
White	304	645	1939	7566	21909
Coloured/Asian	26	90	383	1746	6119
Black	143	349	1241	7686	34737
% Black	30,2	32,2	34,2	45,2	55,3

* Expressed in 1990 and 2000 values.

The results of this exercise show the white share of total private consumption expenditure to be lower than their share of total current income indicating significant levels of saving, tax payments and transfer payments. On the other hand, the black share of total private consumption expenditure is higher than their share of total current income, indicating lower relative levels of savings, tax payments and transfer payments.

6. PERCENTAGE COMPOSITION OF TOTAL PRIVATE CONSUMPTION

Data in this section clearly demonstrate the steadily increasing importance of the black as a consumer in the South African economy.

Whereas the ratio of total private consumption expenditure to total current income remains reasonably stable at around 86% throughout the 1960 to 2000 period, the black share of the total private consumption expenditure rises from 26,2% in 1960, to 34,6% in 1980, and is expected to increase still further to 53,3% in 2000. Spending by blacks on food, drinks and tobacco in 1980 amounted to an estimated 49,5% of total expenditure on this category of goods. By 2000 the black share of spending in this category is forecast to be 67,8%

Table 8 Total Private Consumption Expenditure (%)

	1960	1970	1980	1990	2000
Food, drink & tobacco.	35,6	32,2	33,7	33,9	33,8
Clothing & F/ware	10,3	10,1	8,9	9,6	10,5
Housing, Fuel/Pow	10,7	12,4	9,8	9,6	9,6
Furn/Household	14,2	14,0	11,8	11,9 1	2,0
Transp/Commun.	12,2	14,2	18,1	17,9	18,1
Recreat./Education	4,8	5,9	7,0	7,4	7,9
Other	12,2	11,2	10,7	9,7	8,1

Rising shares of category expenditures accruing to blacks are evident for clothing and footwear (39,3% in 1980 and 61,1% in 2000); for furniture and household operation (34,2% in 1960 and 55,3% in 2000); for transport and communication (30,2% in 1980 and 48,5% in 2000); for recreation, reading and education (28,4% in 1980 and 43,9% in 2000) and for housing, fuel and power (18,7% in 1980 and 35,9% in 2000). In fact, black shares of expenditures by category have in all instances increased, and are expected to continue increasing in all instances, as well.

The category "other" includes certain expenditures not sufficiently well identified to enable their being allocated to the correct category or categories. Since the degree of detail in which expenditures are listed differs from budget survey to budget survey, the nature of the items included in the category "other" also differs from race group to race group and over time - hence the atypical pattern of expenditure ratios attributable to the black people.

Table 9(a) White Private Consumption (%)

	1960	1970	1980	1990	2000
Food, drink and tobacco	29,0	25,4	22,2	21,0	20,0
Clothing and footwear	12,0	8,8	6,9	7,0	7,5
Housing, fuel and power	12,7	14,9	11,5	12,0	13,0
Furniture/household	14,6	13,0	12,1	12,0	11,5
Transport / communication	14,7	17,5	21,8	22,0	22,5
Recreation/education	5,5	7,0	8,8	10,0	11,0
Other	11,5	13,4	16,7	16,0	14,5

Table 9(b) Black Private Consumption (%)

	1960	1970	1980	1990	2000
Food, drink and tobacco	45,4	43,1	48,2	45,0	43,0
Clothing and footwear	5,5	11,5	10,1	11,0	12,0
Housing, fuel and power	3,6	4,2	5,3	6,0	6,5
Furniture and household	16,4	18,5	11,7	12,0	12,5
Transport /Communication	9,2	9,1	15,8	16,0	16,5
Recreation/education	3,8	4,7	5,8	6,0	6,5
Other	16,1	8,9	3,1	4,0	3,0

Table 9(c) Colored/Asian Private Consumption Expenditure (%)

	1960	1970	1980	1990	2000
Food, drink and tobacco	50,0	46,8	43,6	40,0	35,0
Clothing and footwear	12,0	13,8	14,6	14,0	13,0
Housing, fuel and power	15,8	15,5	15,2	4,5	14,0
Furniture/household	7,2	9,9	10,6	11,0	11,5
Transport / communication	5,5	6,7	7,9	9,0	11,0
Recreation/education	2,8	2,1	2,5	3,0	4,0
Other	6,7	5,2	5,6	8,5	11,5

The extent to which a group perceives that its general welfare and material wellbeing is or is not improving, can be inferred from changes in the composition of their expenditure patterns over time. Bearing in mind that the basic needs of any person or group of people (households) are for food, shelter and clothing, it can be postulated that declining ratios of expenditure on these categories will reflect an improvement in the fortunes of the group concerned. This is a statement of the best known of Engel's Laws. It in fact categorises expenditures on the basis of necessities and luxuries or discretionary goods and services. The necessities are food, shelter and clothing the rest are discretionary. Obviously caution has to be exercised in the application and interpretation of this law, since the material wellbeing of a group can, for example, oblige that group to regard clothing as a discretionary commodity.

An examination of white expenditure patterns shows that the proportion for food has declined, and should continue to do so. The proportions for clothing and shelter are also expected to trend down, but here the picture is rather ambiguous and suggestive of the existence - in these categories - of significant degrees of discretionary expenditure. The shift to proportionally greater expenditures on discretionary goods and services is most apparent in the areas of transport and communication and in recreation, reading and education. Expenditure on furniture and household operation - like expenditure on housing appears to occupy an intermediate position in that it is also part basic and part discretionary.

The expenditure patterns of the Colored/Asian group reveal a progression which is similar to that perceived for the white group. However, the general level of wellbeing of this group remains below that of the white group. The expenditure patterns of the African group point to confirmation of the already made observation that black people, as a group, are the least affluent. In fact, the lower material wellbeing of this group relative to the other two - whites and Coloureds/Asians, is expected to maintain their food expenditures at levels in excess of 40% of total expenditure through to the year 2000. This does not however imply lack of improvement in their general wellbeing, since their food expenditure ratio is forecast to drop from 48,2% in 1980 to 43% in 2000. The proportion spent on clothing, on the other hand, would suggest that such items could continue to be regarded as luxuries by very many black people, while the rising ratio of expenditure on housing reflects a continuation of the move away from the changing of sub-economic rentals.

The rising ratio of expenditure on transport reflects in part, a similar endeavour by the authorities to limit the extent of subsidies on public transport and in part growing car ownership amongst black people. The proportion spent on recreation, reading and especially education must also increase as the number of black students/pupils continues to grow rapidly.

CHAPTER V

PROFILE OF BLACK ENTERPRISES

- 1. TOTAL REGISTERED AND UNREGISTERED COMPANIES**
- 2. PROFILE OF BLACK ENTERPRISES**
- 3. CONCLUDING NOTE**

1. TOTAL NUMBERS OF REGISTERED/UNREGISTERED COMPANIES

According to the Registrar of Companies, in Pretoria, there are approximately 500 000 different types of enterprises in South Africa today. These enterprises range from one-person and unregistered micro informal sector operations to large and registered multinational corporations. The office of the Registrar of Companies states that accurate statistics of registered and unregistered businesses, for the whole country, are not available. The Registrar estimates that, currently, there are approximately 170 000 registered companies in South Africa. Since the passage of the Closed Corporations Act, a total of 30 000 Closed Corporations have been registered to date.

The Registrar of companies maintains that most other private businesses are not registered. In fact, many private businesses such as fashion boutiques and other smaller operations do not require licensing. Therefore, they need not be registered. Companies that fall into the latter category are estimated to number about 300 000. The Registrar of Companies also states that, until 1985, no effort was made to record breakdown of businesses by sector. It will be some time before such data is ready for publication.

Estimations about the size of the black private sector are generally wide and less reliable. Until recently, there was little interest in the size, profile and distribution of black enterprises. It is generally estimated that the total number of registered and unregistered black-owned enterprises is upward of 100 000. There are at least approximately 10 000 registered black enterprises throughout the country - including homeland areas. Yet the estimated number of unregistered enterprises is in the region of 90 000. The latter group of enterprises tend to operate in the illegal and semi-legal twilight zone: they are neither licensed nor registered. Others are temporary and transient - for example hawkers and shebeens. Stringent application of apartheid regulations and negative administrative bureaucracy are largely responsible for the high number of unregistered and illegal black businesses.

There are no reliable statistics about the monetary value or contribution of the black private sector to the total economy. Some of the experts consulted by Consumer Behaviour estimate that the total value of black business is about 1% and 1.5%. Most economists and business analysts decline to give estimates of the size of black private sector's contribution to the national economy.

2. PROFILE OF BLACK ENTERPRISES

In the semi-formal and formal sectors, the majority of black enterprises are engaged primarily in retailing of services and manufactured products. The situation results from years of negative legislation which sought to restrict black traders to dealing strictly in the provision of "daily household necessities." A directive from the then Non-Europeans Affairs Committee (1966)¹⁷ stipulated the following distribution conditions for black traders:

Table 11 Allocation of Businesses

- 1 Grocer to every 500 families
- 1 Butcher to every 600 families
- 1 Fish frier to every 1000 families
- 1 Greengrocer to every 1000 families
- 1 Eating house keeper to every 1000 families
- 1 Dairy shop to every 1000 families
- 1 Wood and coal dealer to every 1000 families

The foregoing table shows that black entrepreneurs were restricted to retailing of essential goods: they were not allowed to enter into other types of businesses. In addition, each black retail outlet had to be located within a stipulated radius of a fixed number of miles or kilometers. Further, black entrepreneurs were not allowed to own more than one business - although few managed to circumvent this regulation. The foregoing restrictive regulations went a long way to shape the existing profile of the black private sector. The black private sector can be defined in terms of small, overcrowded and poorly located retail outlets. These businesses are located inside residential areas that are not supported by adequate central business districts.

During the 1970s, the traditional black private sector witnessed some changes as a result of government concessions that sought to lift some of the more restrictive measures. Concessions granted in 1979 attracted a new breed of entrepreneurs, who entered into the non-traditional areas of business such as manufacturing, construction of business and residential facilities, and provision of technical services. Some of the more enterprising operators of traditional retail outlets used the new concessions to expand existing businesses.

The Consumer Behaviour research study of 300 black owned businesses in South Africa confirms the fact that the majority of the businesses are in retail trading (44.0%). However, the one relative area of growth manufacturing - accounted for 19.5% of the people contacted. It is important to bear in mind that sampling for this study was not scientific - respondents were selected at random. Therefore, the

claimed total of 19 per cent in manufacturing may be misleading. It was easier to interview manufacturers and traders because they tend to operate in common business areas.

In the Consumer Behaviour survey respondents were asked to state types of businesses they owned. The following table summarizes the responses:

Table 12.1 Claimed Ownership of Businesses By Blacks (%)

Retail Sector		Sex		Age		
		Male	Female	< 35	35-49	50 +
Respondents	298	193	102	82	137	79
	100%	65	34	28	46	27
General Dealer/Store	12	12	12	8	13	15
Liquor Outlet/shebeen	7	6	9	7	8	5
Supermkt: Greengrocer	5	6	4	7	3	8
Butchery/Bakery	4	6	2	2	4	7
Street Vendor	4	2	7	3	4	4
Photography/Records	3	4	3	5	2	4
Curtains/Leather, etc	3	4	3	7	2	3
Dairy Products	2	3	1	2	2	2
Clothing Boutique	2	1	3	-	2	2
Gas Station/Transport	1	2	-	2	1	2
Hair Products Distrib.	1	1	-	-	1	1

Table 12.2 Claimed Ownership of Businesses By Blacks

Manufacturing Sector		Sex		Age		
		Male	Female	< 35	35-49	50 +
Respondents	298	193	102	82	37	79
	%	%	%	%	%	%
	100	65	34	28	46	27
Carpenter/Printer/ InteriorDecorator	10	11	7	13	11	6
DressMaker/Tailor	7	4	13	6	5	11
Welding	2	2	-	2	1	2
Clothing/manufct	1	1	-	-	1	2

Table 12.3 Claimed Ownership of Businesses By Blacks (%)

Service Sector	Sex			Age		
		Male	Female	35	35-45	50 +
Respondents	298	193	102	82	137	79
		65	34	28	46	27
Hair/Beauty Salon	8	4	15	15	6	4
Professional Services	4	4	2	7	5	-
Restaurant/Cafe	4	4	2	1	5	4
Motor Spares/Repairs	4	4	2	2	6	1
Shoe Repair/Leatherwork	3	5	-	4	2	4
Taxi Service	3	3	4	1	4	4
TV/electrical repair	3	4	2	4	3	2
Dry Cleaner	3	4	2	1	3	6
Fast Foods	2	1	4	2	3	1
Undertaker	2	2	2	1	2	1
Faith Healer/herbalist	1	1	2	-	1	3
Nite Club/entertainment	1	-	2	-	1	1

To reiterate, data in table 12.2 reveal a strong bias toward the retail trade. The input also reflects the type of manufacturing which is confined to light industries based on skills such as carpentry, printing, sewing, welding and leather work. The service sector has diversified slightly, and includes hair salons, legal and professional services, restaurants, cafes and night clubs, shoe, motor and electrical repairs and taxi and other transport services.

The national profile of black retail outlets is almost identical to that of stores within the Greater Soweto area. A study conducted by Aubert & Brsitow¹⁸, in 1984, produced the following profile:

Table 13 Profile of Greater Soweto Retail Outlets (1984)

Total	3999	100%
Grocers	274	19.5
Wood and Coal Dealers	165	11.7
Greengrocers	163	11.6
Butchers	159	11.3
General Dealers	152	10.8
Fish Friers	108	7.7
Dry Cleaning Depots	46	3.2
Eating Houses	46	3.2
Tailors	28	2.0
Hairdressers	27	1.9
Filling Stations	26	1.8
Restaurants(Checarefully)	26	1.8
Dairies	26	1.8

Table 13 Profile of Greater Soweto Retail Outlets (1984)- contnd

Total	3999	100%
Cobblers	19	1.3
Hardware Stores	19	1.3
Cafes	17	1.2
Herbalists	16	1.1
Supermarkets	15	1.0
Other (unspecified)	67	4.7

The foregoing data demonstrate the predominance of the small retail outlet, with only 15 supermarkets which in themselves do not compete with existing white major supermarket chains. The trend towards small retail outlets has continued to grow well into the 1980s. The table below features information about trade licenses issued in urban black residential areas that were under the jurisdiction of the defunct Bantu Development Boards. The data relate to the period 1980 and 1982.

Table 14 Licensing of Black Businesses (1980 and 1982)

Total	9 274	100%
General Dealers	2 270	26.9
Passenger Transportation	1 928	22.8
Cafe/Restaurant/Eating House/Fish & Chips	884	10.5
Wood and Coal	751	8.9
Butchery	502	5.9
Fresh Produce	390	4.6
Herbalist/Patent Medicine/Chemist	149	1.8
Pedlar	149	1.8
Dairy/Milk Depot	129	1.5
Shoemaker/Tailor	127	1.5
Dry Cleaners/Laundry	113	1.3
Professional Offices (Doctors, Attorneys etc.)	111	1.3
Undivided Additional licenses*	97	1.1
Bottle Store	85	1.0
Filling Station/garage workshop	84	0.9
Funeral undertaker	78	0.9
Hairdresser/beauty salon	74	0.9
Weider/burglar proofing/bicycle shop	32	0.4
Cartage/transport contractor	28	0.3
Photographer/watchmaker	24	0.3
Carpenter	9	0.9
Hotel/motel	4	.05
Upholsterer/leatherwork/carpet fitter	4	.05
Bricklayer/cement mason	3	.03

Entertainment facilities	1	,00
Other	414	4.9

* Additional 97 licenses which were not divided into types of businesses (Northern Cape).

Data featured in the foregoing tables clearly demonstrate the extent to which black entrepreneurs have been left out of major primary sector activities such as manufacturing, finance, and so forth. Although the majority of black businesses are in the retailing area, the size and types of retail outlets operated by black people offer no real competition to those within the primary sector. By comparison with their primary sector counterparts, black retail outlets are too small, too unsophisticated, and grossly mismanaged. In addition, these businesses are located in residential areas that are difficult - for white clients - to access.

To all intents and purposes, the black private sector is too insignificant to count, vis a vis major metropolitan and suburban businesses that thrive in the rest of the country. The current status and shortcomings associated with black enterprises flow directly from excessive and rigid application of apartheid laws and administrative attitudes. In the final analysis, apartheid has succeeded in depriving the black community of businesses that could compete with white-owned enterprises. As long as black businesses are locked into black residential areas, there is little hope that they will realize the type or size of growth that their primary sector counterparts have achieved over the past years.

3. CONCLUDING NOTE

Data presented in the foregoing document clearly show that the black private sector, in South Africa, is still in the infancy stage. Its future is inextricably bound up with the conflict-ridden politics of the Southern African region. Should, as many economic and political analysts predict, the government opt for political solutions that facilitate economic growth, then the black private sector will naturally merge with its more powerful and well-developed primary sector. In essence, there is hardly a future for a black private sector that follows the erroneous theory of dual economic development - whereupon the black private sector has to continue languishing in the impoverished informal sectors of the economy. A careful evaluation of black economic and political advocacy suggests that leaders of organized black business and political movements are working towards merging rather than separating the country's economy along dualist lines. They wish to enter into and campaign against the growth-oriented primary sector.

CHAPTER VI

PRIMARY SECTOR ATTITUDES TOWARDS BLACK BUSINESS

- 1. REACTIONS TO SOCIAL RESPONSIBILITY PROGRAMS**
- 2. SIZE AND SCOPE OF BIG BUSINESS INVOLVEMENT**
- 3. WHITE PERCEPTIONS OF BLACK BUSINESS**
- 4. BLACK EQUITY PARTICIPATION IN THE PRIMARY SECTOR**
- 5. BLACK EQUITY PARTICIPATION PROGRAMS**
- 6. AVAILABILITY OF BLACK ENTREPRENEURS**
- 7. THE DUAL ECONOMY DEVELOPMENT THEORY**

1 REACTIONS TO SOCIAL RESPONSIBILITY PROGRAMS

A review of public statements associated with managers of large public and private sector corporations suggests that these managers tend to equate black business almost exclusively with small informal sector operations. This attitude is also present among white operators who provide counseling services to black enterprises, namely, the SBDC, small business development units attached to various black and white universities, the Development Bank, Urban Foundation, and black-oriented Trusts and Foundations. The attitude is also prevalent among major private sector corporations - more particularly those that have sought to establish social responsibility programs such as are generally associated with Sullivan Signatory companies.

Black business and community leaders have developed somewhat skeptical attitudes toward major corporations and their perceptions of the role and position of black people in business. By and large, black people tend to associate white corporate attitudes towards black business with the overall racial attitudes that prevail within the broad South African society. Black South Africans generally believe that the majority of white business managers and leaders, in South Africa, directly or indirectly, support and/or practice racial discrimination against black people. White corporate managers and their leaders tend to be viewed as racist - few exceptions are made in certain instances.

For their part, corporate managers tend to view their companies as having undergone some positive, if not dramatic, change since the 1976 riots. White corporate managements' response to the role and position of black people vis a vis participation in the primary sector has been influenced by a general sense of despair and frustration. Despair has emanated largely from the unwillingness of government to address major causes of social and political concern within the black community. Many private sector managers continue to issue warnings about future consequences of growing unemployment and progressive polarization of the major race groups within South Africa. Many managers point out that government indifference towards black anger and frustrations poses a serious threat to business stability and productivity.

Big business' social responsibility programs are generally viewed against the foregoing background by black business and community leaders. They have, and continue to voice reservations about the quality of big businesses' commitment to assisting black business operations. Big corporations are often accused of lacking fore-thought direction, coordination and care in their approach to providing assistance to black enterprises. For this reason, black leaders are doubtful

whether or not big corporations are seriously committed to placing black people on a sound and long term business development plane. They also point out that big business' sponsorship of social responsibility programs does not signify sudden change of heart vis a vis the role and position of black people within the primary sector.

However, a point must be made about black leaders' expectation and aspirations concerning the extent to which they would like to see big business becoming involved in rolling back government and apartheid practices that impede black participation in the primary sector. In the main, black leaders would like to see big business becoming involved far beyond the narrow realm of social responsibility. They are expected to seek involvement in all aspects that affect black participation in the entire society. Black leaders' disenchantment with big business managements centres about the latter's insistence on limiting their involvement to issues that are considered rather shallow and irrelevant to the major problems facing black people, namely, exclusion from economic and political participation. In short, black people seldom draw lines between economic and political issues while managements of big business are quick to point out that theirs is purely a business rather than one of engaging in politics. This attitude does not go down well with most organized black business and political organizations. The latter often retort by pointing out that white business continue to benefit from black support and at the expense of the black private sector. This also explains why black people continue to resist black/white business partnerships especially in an areas such as retailing.

2. SIZE AND SCOPE OF BIG BUSINESS INVOLVEMENT

Almost all programs designed and sponsored by big business to stimulate black business development are overtly coloured by the climate of suspicion highlighted in the foregoing paragraphs. In the minds of many black leaders, both the SBDC and Urban Foundation appear to have been conceived with the sole objective of providing short-term assistance to black business aspirations. Both projects are victim to political timing: they were introduced after and in response to the 1976 riots. Both organizations are associated with big business' desire to sell capitalism as well as the establishment of a middle class "buffer" between black working class masses and the settled but more affluent white community.

The SBDC method of distributing small business development funds leaves an impression that its overall objective is to sponsor business ventures that have little or no chance of developing into medium to large corporations. The majority of loans that are offered to black entrepreneurs are well below R50 000,00. This level of funding, if given in abundance and shrewdly, could help put large numbers of unemployed black people to work. On the other hand, major commercial

institutions, who support the SBDC program with funds, seldom see themselves being in the business of providing development funds for high risk and small growth ventures. These institutions are, definitely, not interested in funding black enterprises that could grow to swallow them up.

The situation described above merely serves to perpetuate, in the minds of black people, the idea that they are deliberately being kept out of the primary private sector. They point to the single-minded manner in which big businesses pursue the development of micro-enterprise generation as if this was the only avenue left for the long term development of the black private sector. This accusation is fairly common among certain black circles - more particularly among leadership groups in business and politics. But most important, many black people fail to appreciate the value of starting their own ventures or striving to acquire equity participation in bigger companies largely because they are brought up thinking small. Worse still their experience of business is often confined to operations that are too small, less exciting and unsophisticated to encourage them to dream big.

3. WHITE PERCEPTIONS OF BLACK BUSINESSES

Interviews conducted by Consumer Behaviour among white business managers suggest that white managements are generally uninformed about black businesses and circumstances under which they operate. Most important, white managements tend to blame black business operators for failure to grow into sizeable entrepreneurs. With few exceptions, most white managers tend to ascribe lack of significant numbers of serious black enterprises upon what is popularly viewed as "the negative African culture." In essence, black culture is considered to have little to offer by way of developing business acumen and entrepreneurship. Therefore, among white managements, there is the belief that black people are not ready to enter into the formal sector of the mainstream of the South African economic life.

Many public speeches by leaders from both public and private sectors tend to reinforce racial stereotypes and related negative perceptions about lack of entrepreneurship among black people. For instance, G M E Leistner¹⁹ has had a lot to say about the misplacement of black values, thought processes, and life themes. In an article in *Africa Insight* magazine, Leistner maintains that African tradition restrains individual effort. Leistner's views were also evident in his papers delivered at a NAFCOC conference. Martin Nasser,²⁰ of the University of South Africa, suggested that black people shy away from individualistic and competitive situations in preference for group participation. While the research findings may apply to certain levels of the black community, there is no evidence that refuge in group participation does not appeal to white South Africans. Martin's research results

have been refuted by more objective research such as that cited in a book written by H Griesel and L Schlemmer.²¹ Nasser's approach to the problem of black advancement is dismissed by black managers, as an attempt to shift the blame for the failure of the primary private sector in black advancement.

4. BLACK EQUITY PARTICIPATION IN THE PRIMARY SECTOR

A careful study of the South African Stock Exchange shows that only four corporations control about 80% of its business. The question might then be asked: if the big companies are continuing to swallow profitable and viable small to large corporations, what interest do they have in funding black ventures that have little chance of making it into the big league? The post-disinvestment behaviour pattern among departing U S corporations and indigenous ones suggests that big business is not interested in sharing equity partnerships with black people. When approached for sponsorship of black equity participation in one of its recent acquisitions, the chairman of a major South African monopoly responded by advising black suitors to "go and buy our shares at the Stock Exchange because we are not interested in black partners."

In the case of departing American corporations, not a single one has seen it fit to engineer black take-over or encourage black ownership of their South African companies. Many of the companies have had direct approaches from black entrepreneurs and/or leaders. Some were presented with specific proposals for straight business transactions. One such corporation elected to wind down the local operation instead of selling it to black people who had already shown interest in the company. U S corporate response to black prospective buyers or equity partners has been articulated through Trusts and Foundations. These structures are not in the business of providing black equity participation avenues: they are there for short-term political purposes.

5. BLACK EQUITY PARTICIPATION PROGRAMS

Negative attitudes and reactions to black equity participation in large corporations, or their subsidiaries, have been provoked, partly, by the fact that more often than not black groups or individuals involved in pre-negotiations deliberations lack the capital. In addition, most of the groups which are known to have been seeking to take over departing companies lack sound and relevant knowledge of industrial sectors concerned; almost all of them had not been in existence for long; preliminary communications and negotiations are handled rather poorly - the groups seldom enlist the help of professional negotiators or lawyers; and finally, most of the groups comprise people who have neither business nor leadership reputation or clout.

The problem facing black people in this area also stems from the fact that most of them lack the support of organizations that are well known among big private sector corporations. But most interesting, current black South Africans' attempt to extract agreements for equity participation often centre about threat of black political retribution - directly or otherwise. When faced with veiled political threats, most corporate managers are inclined to pull the bluff of their black suitors - with the full knowledge that no political retribution is likely to harm their company in the short term, at least.

The mistake often made by black people who seek equity participation in established companies that are operating in primary sector lies in the fact that most of their efforts are reactive: they start moving only after they have heard rumours about the impending withdrawal. Most unfortunately, most of the black groups are hopelessly out of touch with inside business intelligence. Thus, they tend to make their move long after a company's management have already made their mind about divesting. The departure of Coca-Cola, General Motors, and Eastman Kodak are perfect examples of this development.

6. AVAILABILITY OF BLACK ENTREPRENEURS

Allied to the foregoing popular myths about black people and the corporate environment is one that suggests that the black community is totally devoid of entrepreneurial potential. In short, black people are genetically not cut out for the cut and thrust of business. Nothing could be further from the truth: many black people are being prosecuted for seeking to demonstrate their enterprising talent through hawking and many other non-legalized informal sector activities. Complex and rigid over-regulation has long been singled out as one of the major barriers that inhibit greater presence of black entrepreneurs in the business environment.

The problem is further compounded by the fact that too few black people are entering into positions of responsibility within major private sector companies.

7. THE DUAL ECONOMIC DEVELOPMENT THEORY

Another myth about the black private sector is the view that it is and should be treated as a separate entity that should be left to develop along its own ways. This myth has long historical and dubious empirical theoretical roots - for far too long black people have been associated with the concept of a dual economy. There was more of a dual economy than the "proper South African economy." As South Africa becomes more comfortable about its Third World status, the idea of a dual economy - one comprising black people and one whites - will evaporate into insignificance. Whatever divisions are likely to occur in future, these may be along the lines of a rural, versus an urban economy. The concept of a separate black private sector tends to provoke negative connotations that are grounded on race and prejudice.

CHAPTER VII

INVENTORY OF SUPPORT ORGANIZATIONS

- 1. INTRODUCTION**
- 2. THE SMALL BUSINESS DEVELOPMENT CORPORATION**
- 3. COUNCIL FOR PROMOTION OF SMALL BUSINESS**
- 4. COUNCIL FOR PROMOTION OF SMALL BUSINESS :
THE REBATE SCHEME**
- 5. SMALL BUSINESS INFORMATION CENTRES**
- 6. PRIVATE SECTOR SUPPORT AND INITIATIVES**
- 7. BLACK PRIVATE SECTOR INITIATIVES**

1. INTRODUCTION

Although there are many organizations, specialist units and general small business development and advisory facilities, few of these provide services exclusively to black enterprises. In essence, the majority of black enterprises continue to make less effective utilization of these facilities due to a host of reasons and factors, namely, low awareness and ignorances about the existence of certain organizations, lack of ready access to support facilities, apathy and reticence towards facilities that do not serve black interests exclusively, and resentment of red-tape and shoddy customer relations.

Most of the major organizations listed in this inventory tend to serve all types of small businesses. They are managed and manned predominantly by white personnel - this presents real and imagined problems for less sophisticated black operators. Generally, the majority of the organizations are associated with patronizing and paternalistic attitudes: their orientation towards black businesses borders on philanthropy and favour. There are exceptions but these are far and few between.

Within the time available Consumer Behaviour has attempted to document all readily accessible organizations - it is highly likely that several other but smaller organizations have not been included in the inventory. Most of the organizations contacted were not readily forthcoming with adequate information about specific but important trends such as distribution of funds between black enterprises and enterprises belonging to whites, Coloureds or Indians. All of the organizations were not prepared to divulge information concerning bad debt ratios, availability of credit facilities, interest rates and so forth.

Prior to the establishment of the Small Business Development Corporation - after the Soweto Riots of 1976 - the South African government had always sought to provide assistance to black enterprises within the context of the homeland policy. In other words, black businesses were encouraged to relocate from what were known as 'white urban areas' to homelands. Blacks who lived and worked in urban areas were considered to have a temporary status: therefore, they were not encouraged to gain permanent status. They were encouraged to develop their businesses in the homelands - where considerable incentives were offered.

In 1959 the Bantu Investment Corporation (BIC), was established by an Act of parliament (Act No. 34 of 1959). At this point homelands were still administered through the central government. Thus, each of

the six or so homelands was given a branch of the BIC - each of which was subsequently known by the name of the homeland.

The BIC sought to provide finance, technical assistance, expert advice, information, guidance, and to promote economic self-help. It was also involved in assisting black people take over white-owned businesses as these owners moved out of homelands. The BIC soon lost credibility and support among black business persons largely due to its style of operation and Afrikaner politics. For instance, it was predominantly manned by government policy supporters - who are on some form of secondment from the public sector or Pretoria. The BIC alienated itself from black business operators by seeking to compete with the very businesses it was professing to protect and assist. In addition, it was accused of being more keen on liquidating than the rescuing of ailing business. The BIC also failed to promote black participation in its decision-making structures such as Board of Directors. Furthermore, the BIC was accused of being un-accommodating to independent enterprises that elected not to use its services.

The BIC later changed its name to the Corporation for Economic Development (CED). Eventually, the functions of the CED were handed over to various homeland development corporations. While the BIC and its successors were involved in official attempts to promote black business in the homelands from 1959 onwards, it was not until the Soweto uprisings of 1976 that government thinking began to change with regard to black business in urban areas. For instance, many of the objectionable restrictions have been relaxed since 1976. However, the turning point in government initiatives to promote black business in the urban areas was the Carlton Conference of 1979. Both the Small Business Development Corporation and the Council for the Promotion of Small Business were established as a result of this conference.

2. THE SMALL BUSINESS DEVELOPMENT CORPORATION (SBDC)

The SBDC is a joint venture between the private and the public sectors. It was established in February 1981, for purposes of promoting entrepreneurship among all population groups in South Africa. After its formation, the organization took over the Colored and Indian Development Corporations. It is Head-quartered in Johannesburg. But it has three regional offices in Johannesburg, Durban and Cape Town. It also operates a branch office in Port Elizabeth and ten information offices situated around the country, namely, Bloemfontein, Cape Town, Durban, Johannesburg, Nelspruit, Pietersburg, Port Elizabeth, Pretoria, Soshanguve and Soweto.

The SBDC pursues its objectives through the provision of finance, premises, management and advisory services. Its services and facilities are available only to small businesses that are situated outside the homeland areas. Finance is offered in the form of a variety of packages ranging from mini-loans of R5 000 for infant enterprises in the semi-formal stage of development, to larger loans upward of R300 000 for new small businesses. The SBDC's total of capital used for loans was R110m in 1986.

The SBDC is one of the organizations that would not reveal percentage ratios regarding loan apportionment by race of borrower. However it has, on occasion, been publicly criticized for giving higher loan facilities to whites. Dr N Motlana, prominent Soweto political leader and businessman, was once quoted as having challenged the SBDC to divulge details of lending statistics. The SBDC declined to provide the information. It is fair to surmise that the majority of large loans to new formal sector businesses go to people other than black people. But quantitatively, most of the loans are awarded to small informal sector operations - i.e. in the mini-loan class.

The SBDC also secures and rents out business premises such as industrial parks, factory units, workshops, market stalls and shopping centres for its clientele. The corporation also offers Information, Advice and Guidance Services from various offices throughout the country. In addition, the SBDC claims to offer specialized private business training through seminars, short courses and workshops. Another area of focus centres about advocacy concerning issues that restrict the development of small businesses in the economy.

According to Michael Smuts, a senior manager of the SBDC, between February 1981 and December 1984 the organization helped to establish 301 black industrialists in 12 light industrial parks located inside black neighbourhoods. The SBDC claims to receive too many enquiries on any ordinary week or month. Many of the enquiries cannot be entertained for a variety of reasons, including lack of personnel. The success of the SBDC appears to be unparalleled in this field. This, partly, because it operates on the bases of lender of last resort. In other words, loan applicants are always advised to approach commercial institutions before the SBDC. Consequently, the organization is left to service applicants who have no other alternative sources for raising finance.

3. COUNCIL FOR THE PROMOTION OF SMALL BUSINESS

The council is staffed by a small team of eight members who are government appointed. The team includes members from all the major race groups. The function of the council is to provide support,

guidance, training, advice and research. It also serves to identify problems that hinder the advancement of small business as well as making small business development policy recommendations. The Council also allocates funds to institutions that provide advice, guidance and training to small firms. It also attempts to co-ordinate the activities of the institutions under review.

The Council operates three programs, viz. the Subsidy Scheme which is linked to eleven university units; the Rebate Scheme, and the Small Business Information Centre. The Council has allocated approximately R2m of government funds into supporting over 60 full time training/consulting officers i.e. in addition to those financed by the units from other private sector funds. The small business development units are attached to 11 universities countrywide. These include the following:

- i) **The Small Business Advisory Bureau**
Potchefstroom University
- ii) **Unit for Entrepreneurship and Small Business**
Management University of Stellenbosch
- iii) **Centre for Developing Business**
Wits University
- iv) **Fort Hare Institute of Management**
University of Fort Hare
- v) **Business Advisory Bureau**
University of the North
- vi) **Institute for Small Business**
University of the Western Cape
- vii) **Small Business Unit**
University of Port Elizabeth
- viii) **Centre for Businessmen**
University of Zululand
- ix) **Unit for Small Business Development**
University of the Orange Free State
- x) **Bureau for Financial Analysis**
University of Pretoria
- xii) **Bureau for Economic Research**
University of Stellenbosch

The business development units at all the universities listed above tend to offer similar counseling and training programs - primarily to black operators. The courses are neither standardized nor co-ordinated between universities even though the universities may be located within reach of each other. Each university designs and implements its own programs with little or no consultation with its counterparts in other universities. Most of the courses appear to put emphasis on management of retailing, small manufacturing and/or small service rendering operations.

Each of the institutions offers a business counseling service which provides both general and specific consultations, feasibility consultations and follow-up consultations. The number of sessions varies considerably between institutions as does the nature of the consultations which range from telephone conversations to in-depth examinations. Of the 3140 consultations undertaken by the SBAB at Potchefstroom, only 736 (23%) were to black business people, while 31% of those attending training programs were black. The universities of the North, Fort Hare, Western Cape and Zululand all cater specifically for black business needs while at the university of the Witwatersrand the emphasis is on providing counseling mainly to black business.

Although several institutions run courses on new enterprise formation, emphasis seems to be on the development of existing small business. Two significant exceptions are, "Junior Achievement" run by the Centre for Developing Business (University of the Witwatersrand in Cape Town, Johannesburg and Port Elizabeth), and the experimental "Grass Roots" program developed by the Institute for Small Business (University of the Western Cape). Both programs could have greater positive impact if implemented more widely throughout the country. Following are details of activities of each of the eleven universities mentioned above:

3.1 The University of Stellenbosch operates two business development units: one at Southern Cape and one at Western Cape. During 1986, each unit ran a total of twenty four courses. Attendance figures were 839 and 384, respectively. Courses offered include: Financial Management; Marketing; Manpower Management; Management Planning and Control; Computer Literacy; Costing for small manufacturers; Entrepreneurship Program; and Accounting Information Model.

A special course in Entrepreneurship Development was conducted with 35 retrenched black employees of Hobbit Holdings. No follow-up work was done. The unit also conducted a course in Marketing for Stellenbosch Farmers' Winery with black liquor store owners in their areas. The units conducted consultations for businesses. The Western Cape Unit conducted a total of 1271 consultations while the Southern Cape claims to have conducted a total of 1954 consultations. Approximately 20% of the units' collective facilities were used by black business operators.

3.2 The University of the Orange Free State operates a small business development unit which services small businesses in areas such as Orange Free State, Northern Cape and Northern Namibia. Some of the units' services are designed specifically for black business operators. However, all the services are open to all race groups. In 1986 the unit offered 5 courses for black business operators in Retail

Business Principles. The course is a one day intensive session. During 1986, 67 people attended these courses.

The university offers other courses in aspects of starting and running small businesses. During the past year a total of 432 people attended twenty training courses at the university: 10% were black. The university conducted 641 consultations including telephonic advice, visits to the unit and visits by consultants to businesses. Of the consultations given, 5% were for black business.

3.3 The University of the North operates a business advisory bureau which services Northern Transvaal areas including the homeland areas of Lebowa, Venda and Gazankulu. During the past year the bureau offered courses to a total of 1529 business operators. The courses dealt with cash analysis; record keeping; income tax; personnel management; retailing; marketing; and customer relations. During 1986, the unit conducted a total of 312 consultations among black business operators. Most of the consultations were conducted on premises of participating black entrepreneurs.

3.4 The University of Fort Hare operates a unit known as the Institute of Management to service small businesses in areas within the Eastern Cape, Ciskei and parts of the Transkei areas. In 1986, 20 courses were offered to 589 black business operators. These covered the basics of small business management. As with its counterparts at other universities, this facility provides business consultation and on-premise counseling to small enterprise operators of all races. For instance, during 1986, the Institute offered its service to white business operators - approximately 20% of all participants.

3.5 The University of the Western Cape also runs an Institute for business development, servicing businesses in Bellville, Cape Town, Woodstock, Crossroads and the surrounding townships, Langa, Nyanga and Gugulethu. In 1986, 24 courses were offered and 579 people attended. Four of the courses were specifically for black people, and were attended by Gugulethu business people. In 1986, 24 courses were offered and 579 people attended. Four of the courses were specifically for black people, and were attended by 113 black entrepreneurs. The unit also offered basic business management skills training. The skills training courses were supplemented by a total of 131 counseling sessions.

The institute also operated an entrepreneurial training "grass-roots program" for high school students. Participants were given lectures on small business development and its value in the community. The program also sought to increase awareness for business oppor-

tunities. A total of 11 schools participated in the entrepreneurial development program.

3.6 The University of Port Elizabeth runs a small business unit for the Eastern Cape area. During 1986 it offered 20 basic business management courses to 829 black entrepreneurs. The unit also conducted 1375 on-site counseling sessions among a total of 323 business operators. The unit also conducted research into usage of fresh milk and pasteurized milk; marketing of waxes for furniture; assessing the effect of consumer boycotts on local business; and evaluating strengths and weaknesses of longer workshops and one day seminars.

Like most other similar units, the services and facilities are offered to all race groups. In other words, although black people tend to be most frequent users of the facilities, they are not necessarily the only users.

3.7 University of the Witwatersrand manages the Centre for Developing Business for businesses that operate in the Witwatersrand area. In the past year, the centre conducted 22 courses and workshops as well as 108 small business skills training projects. These were attended by a total of 1365 black operators. The Centre also conducted several counseling sessions either in-person and/or by telephone. The majority of the entrepreneurs were black i.e over 80%. The Centre also runs a rather successful program known as the Junior Achievement Program.

The goal of the program is to encourage black and white youth to develop entrepreneurial skills and interest. The skills training revolves about operating a small manufacturing company that actually produces physical products which are marketed by trainee students.

3.8 University of Zululand runs a Centre for Businessmen for the black business sector in the Zulu homeland - Kwa-Zulu. Like all its counterparts, this unit ran basic business management training as well as counseling sessions. The Centre also developed a course in business training for technicians. The course was offered to trainees from 7 technical and training centres, and was attended by 95 trainees.

4 COUNCIL FOR THE PROMOTION OF SMALL BUSINESS AND THE REBATE SCHEME

This is the second major service offered by the Council for the Promotion of Small Business. The scheme enables the small business operator to get up to a 50% rebate on fees from private sector consultants for certain short-term consulting contracts. In the first nine months, over 500 private sector consultants had registered under this scheme. These 500 are scattered throughout the country and cover a wide spread of specializations not normally available from the university institutions. The Rebate Scheme has not been widely promoted among black enterprises.

5 SMALL BUSINESS INFORMATION CENTRES

This third or last service offered by the Council for the Promotion of Small Business comprises nine centres throughout the country. There is a centre in each of the eight development regions (also serving black people in urban areas) and two in the Pretoria-Witwatersrand-Vaal area. The Centres provide information on basic matters regarding licensing, company formation, where finance is available, etc. The information Centre administers the Rebate Scheme and also publishes a monthly magazine called the "Entrepreneur". On perusing one edition of "Entrepreneur", it appears to offer little that is of special interest to black business operators.

6. PRIVATE SECTOR SUPPORT AND INITIATIVES

While many experts express the view that the private sector has a major responsibility in promoting the growth of the black private sector, support from the private sector had been relatively minimal. However, some of the major corporations have initiated different small black enterprise development projects. As with the major universities, most companies prefer to run their own projects independently rather in collaboration with others who pursue almost identical goals. The primary motivation behind most of the private sector schemes has always remained fuzzy and unclear. By and large, social responsibility and good corporate citizenship appear to be the central motive.

6.1 The Norton Abrasives corporation assists black entrepreneurs to set up their own businesses. The program has been running for four years and has resulted in the establishment of 100 small enterprises. The company has concentrated its efforts in the homeland areas of the Northern and Eastern Transvaal and the Transkei as well as the Vaal Triangle. Nortons have been instrumental in setting up a manufacturing committee for NAFCOG.

6.2 The Unilever corporation has, for many years been operating a black retail development program. This is, perhaps, the longest serving black retail training program in the entire country.

6.3 The Colgate-Palmolive Business Development Trust was established at the beginning of 1987 by the Colgate-Palmolive company. The objective of the Trust is to provide start-up loans and counseling services to stimulate new black businesses. A total of R1m is available to the Trust to facilitate access to finance for black entrepreneurs without the red tape of lending institutions. The Trust will support manufacturing and service industries on the East Rand. It came into operation on February 1, 1987, and has so far received hundreds of applications.

6.4 The Metro Management Training Project is funded and managed by Metro Cash'n Carry wholesalers to serve black retail outlets throughout the country. The company claims to have 47 000 retail customers on its books - 60% of whom are black. The company sponsors one day and monthly business management skills training courses at various locations throughout the country. A more extensive training program is held once a year at the company's Johannesburg Head Office. However, the company does not conduct follow-up or after-care service.

6.5 The Barlow-Rand organization has been closely involved with NAFCOC training programs for several years. The company sponsors and manages a training project for black businesses. The project relies on volunteer resources from external organizations such as Rotary. Training courses are conducted weekly and at various locations. Recently, Barlow-Rand established a joint business with NAFCOC known as Job Creation SA (Pty) Ltd. The latter company provides premises on short term basis as well and free advisory services.

6.6 The Shell Company offers various training programs using company personnel as well as the services of professional training agencies. This work has been concentrated mainly in Natal but short courses are also run elsewhere. No follow-up work is being done.

6.7 The National Cash Register operates its own training department and assists other organizations by making available their personnel and material for seminars. They are prepared to offer training to black enterprises.

6.8 Both First National Bank and Standard Bank run fully fledged small business development units. Both banks also provide assistance to the black businesses through formal training and seminars. However, these projects are conducted on an adhoc basis.

Standard Bank's Small Business Unit offers special business funding facilities for small businesses. There are separate criteria for loans to the black private sector. The emphasis is on viability rather than security and contribution is negotiated on a 50/50 basis. A thorough investigation is made for new ventures. In addition, the bank gives management training in the form of two to three day seminars concentrating mainly on banking and management. The unit has R15m capital, of which 50% is on loan to the black private sector.

The First National Bank's Small Business Unit also has R15m: capital. A greater proportion of the loans are offered to black people 60%-70%. The units' consultants pay visits to clients once a quarter. First National Bank is presently involved in setting up a project with the Soweto Chamber of Commerce to be known as the Soweto Investment Trust Company Limited. Funding level for the project is in the region of R2.5m loan. The company's objectives are to develop black business, to provide educational facilities, technical expertise and business premises. The company will identify suitable candidates who will be provided with necessary funds and expertise. The company is interested in establishing enterprises in the R20 000.00 - R100 000.00 range. All types of businesses will be encouraged. Equity ownership will be in the hands of the trust.

6.9 Citibank sponsors a black business development program which is aimed at black businesses that cannot get finance from traditional sources. Loans are made available in the R2000 - R50000 range, and are payable over 2-3 years. These loans are made available for most business ventures, with the exception of bottle stores and property development companies. At the time of compiling this inventory, the program had made 50 loans with a total capital of R850 000.00.

6.10 The IBM corporation introduced, in February 1986, the South Africa Project Fund to aid black business development. One of its first projects has been the formation of regional builders associations in black areas to help builders bridge the economic disparity gap and raise standards. Training in various areas of building construction and business management has been provided. Funding for this and other projects is channeled through First National Bank and African Bank. The funding level is \$10m. The Project Fund is also involved in sponsorship of Get Ahead and Get Up. Training for economic development is sponsored via United States South Africa Leadership Exchange Program [USSALEP]. The Foundation for Entrepreneurial Development is another beneficiary of the fund. In the field of legal advocacy, IBM gives funding to the Law Review Project and Legal Resources Centre.

The Project Fund is also involved in rural development - where the objective is to convert subsistence farmers into commercial farmers. In this regard there are two projects linked to the Institute of Natural Resources. R1,5m has been allocated to the projects over a period of five years. One of the projects is a geographic information system to assist planners and developers to identify needs. The other project is a resource centre on a farm in Natal, used for training black farmers. During 1986, 1000 black farmers attended the centre, 250 attended motivational courses and 250 attended formal agricultural courses.

6.11 Auditing firms such as **Arthur Young, Arthur Andersen, Deloitte** and **Alex Aiken** (now known as **Aiken Peak**) claim to be engaged in providing training for black entrepreneurial development. However, none of the companies appear to be directly involved in providing training directly to black businesses at this point.

6.12 The Urban Foundation

Formed in 1976 in response to the growing realization of the social responsibility of business, the Foundation has been attempting action in the promotion and development of enterprise since 1978. In terms of expenditure however, enterprise development remains the smallest of the Foundation's various areas of operation, complementing the activities of the country's other agencies.

A number of small projects have been undertaken including support for the Centre for Developing Business' Junior Achievement Program, the provision of a counseling service in Soweto, the establishment of a Small Business Forum in the Eastern Cape, and in the East Rand, the formation of the Katsheho Industrial Association, a non-profit making company intended to provide access to counseling services and ownership of factory premises for illegal backyard manufacturers. The Foundation has also produced a black business directory which it sells to larger businesses to promote black enterprise. A directory of informal sector operators is being prepared at present. Counseling services is the major contribution of the Urban Foundation to black business development. The Foundation employs five counselors in the PWV area, two in Durban and three in the Eastern Cape Province. The Foundation spends R1m per annum on its business development activities.

6.13 **The Law Review Project** is a private sector initiative set up by the Urban Foundation, SBDC, NAFCO and the Free Market Foundation, with funds from Anglo American, Sullivan Signatory companies and computer companies. The Project reviews laws and other regulatory constraints that affect economic development for all sectors

of the economy. It also provides expertise to organizations that lobby for economic development and change.

6.14 The Joint Management Development Program was initiated by the Paris Chamber of Commerce in consultation with NAFCOC, Black Management Forum and Urban Foundation. The program aims to produce competent middle managers. It is also referred to as the only management development program in South Africa. The program is funded and supported by a total of 19 major companies and organizations.

7. BLACK PRIVATE SECTOR INITIATIVES

Black initiative in business promotion started with the establishment of NAFCOC in 1964. During the past decade, a few business-oriented organizations were initiated by black people, namely, the Black Management Forum (BMF), Get Ahead Foundation, South African Bus and Taxi Association (SABTA), and National Taverners Association (NTA).

7.1 National Federation of Chambers of Commerce (NAFCOC)

NAFCOC was founded in 1964 by a group of black entrepreneurs who were concerned about the exclusion of black people from participation in the South African economy. The organization has grown into one of the top two or three successful black institutions in the entire black community. The organization has, over the years mounted advocacy programs aimed at persuading government to remove negative laws, regulations and administrative attitudes that were used to exclude black participation. The activities of the organization have been spread across a wide spectrum of economic activity. The organization has strong regional and national representation.

The goals of the organization are:

- (i) to organize and promote a spirit of unity among urban and rural black traders;
- (ii) to protect the interests of black traders and oppose measures which impede the growth of black business;
- (iii) to serve as the sole official body representing black business nationally;
- (iv) to iron out acknowledged grievances and act as arbitrators in disputes among traders;

- (v) to establish a National Fund to finance the development of any Chamber projects throughout the country;
- (vi) to encourage the establishment and maintenance of commercial colleges and to sponsor candidates for commercial training;
- (vii) to collect and impart information on all matters of general commercial interest to members via newspapers, books, periodicals or leaflets.

To achieve the foregoing objectives, the organization uses committees, special programs and/or projects. Some of these are permanent while others are adhoc. In the area of business development, NAF-COC has established an Education Committee. The committee co-ordinates training activities through local and regional committees. Another committee is the National Fund which was used as a vehicle for the establishment of the African Bank Limited.

7.2 The Get Ahead Foundation - this is a non-profit company set up to promote greater economic involvement of black people primarily in the informal and semi-formal sectors. The goals of the Foundation are to:

- (i) assist in enterprise formation;
- (ii) assist in the promotion and marketing of goods and services produced by black enterprises;
- (iii) generate employment opportunities through a variety of ways;
- (iv) provide start-up and bridging loans to black people who seek to participate in the informal and semi-formal sector of the economy;
- (v) assist informal and semi-formal entrepreneurs cope with bureaucratic red-tape and unfavourable administrative attitudes;
- (vi) provide funding and other counseling services for educational and business purposes; and
- (vii) to advocate for the removal of restrictive and discriminatory laws, regulations and administrative practices in both public and private sector institutions and corporations dealing with black people.

During 1986, Get Ahead claims to have assisted a total of 900 people through its job creation program. In addition, Get Ahead provided counseling and other forms of assistance to 200 hawkers. The Foundation claims to have given micro-loans which numbered 1200 to informal sector operators. Each loan was in the region of R300.00. The Get Ahead lending scheme utilizes capital of R0,5m.

7.3 Black Management Forum (BMF) is a non-profit making organization which was established in 1975-76. Its *raison d'être* is the provision of black business and management leadership development. This goal is addressed through the provision of formal and informal training; exchange of experiences and information through networking with various business and other interest groups; exposure for aspirant black managers through discussion forums, workshops, seminars and conferences.

The organization also engages in advocacy against negative laws, regulations, attitudes and practices that inhibit effective involvement of black people in the primary sector.

CHAPTER VIII

ATTITUDES TOWARDS DONOR ORGANIZATIONS

1. INTRODUCTION

2. ATTITUDES TOWARDS AMERICAN DONOR AGENCIES

3. ATTITUDES TOWARDS U S GOVERNMENT FUNDING

4. OTHER FOREIGN GOVERNMENTS' DONOR AGENCIES

5. ATTITUDES TOWARDS CAPITALISM AND SOCIALISM

1. INTRODUCTION

The Consumer Behaviour study also analyzed black community attitudes and perceptions regarding the role and position of public and private sector institutions and agencies that fund black private sector development programs. This analysis took into account research and views offered by Dr M Sinclair, in his booklet on U S Donor Agencies in South Africa.²² The former study found that the majority of black business operators said that foreign funds were desperately needed for purposes of helping black people develop businesses. Respondents complained about lack of sufficient funding from the South African government. Consequently, funding by foreign agencies was generally appreciated. Funding was needed particularly in areas such as education, business and management training, capitalization of existing enterprises, and residential housing.

Foreign donor agencies were generally commended for evidencing more the care and concern for the plight of the black community than the South African government. In some instances, foreign donor agencies were said to be far more active in community upliftment and general developmental programs than their local counterparts. The former were associated more directly with the under-privileged black community while local donor agencies were criticized for put more emphasis on white community development. Most black organizations and community support groups were said to have made extensive use of overseas funds. The provision of scholarships and bursaries for overseas university training was considered one of the major contributions. Overseas funding was also said to have helped provide facilities such as community halls, training and youth centres.

The more politically aware members of the community were reticent about receiving funds from foreign donor organizations - more particularly where the donor organizations were not well known and/or associated with government or government supporting institutions. Most of the donor organizations were criticized for attaching overt or covert conditions to their funds. In most instances, the funding conditions were said to have suspect political implications. Members of the black community generally rejected funds which were known or suspected of emanating from politically motivated sources. However, some of the business leaders were adamant that development funds should be accepted regardless of their origins.

Against the background of heightened political turmoil in South Africa, foreign funding tends to be checked rather closely by recipient organizations. Some of the respondents advocated for the adoption of community supported conditions under which foreign funds should be

accepted. One of the respondents suggested that "the money must go straight into things that our own people have started [and] the people giving the money must not dictate". The general feeling among both the business and the mixed groups of respondents was that donor agencies have, in the past, tended to dictate terms as well as programs for funding. Therefore, active participation by recipient organizations and their members should be encouraged.

The mixed group of business, political and community leaders also cautioned against private individuals raising or accepting large funds from large donor agencies. This practice was said to be open to abuse by either parties or both. Instances where such abuses had occurred in the past were cited. Therefore, large scale funding, or funding per se, should be used to benefit the people for whom it was originally earmarked. Respondents argued that most black political and community leaders had tended, in the past, to raise money under false pretenses. This point was endorsed by respondents in all communities where the study was conducted. From the foregoing a general conclusion can be drawn, namely, that funds for non-profit making and community development institutions seldom benefit the people or organizations they were originally intended for.

During the research study several respondents accused some donor agencies for 'playing dirty and cheap politics with black people'. For instance, some agencies were said to have used uniformed black community leaders to make public statements that served the interests of the donor organization and/or the government of the country in which the donor agency is located. More specifically, foreign donor agencies were also criticized for giving money to individual or organizations that are not critical of such agencies and/or their governments. Support of homeland officials emerged as one of the most disliked form of what was termed 'buying stooges for political ends'. The same criticism was reserved for urban black Local Authorities and some church officials - more especially those who were said to be swimming against the tide of the politics of the masses.

2. ATTITUDES TOWARDS AMERICAN DONOR AGENCIES

In the main, foreign-parented corporations were roundly criticized for giving black South Africans programs and funds that were described as "conscience money." Most of the companies' social responsibility programs were said to be motivated by political pressure as well as guilt from direct or indirect support that such companies had given to the apartheid system. More specifically, major U.S. corporations were criticized for mushrooming "Trusts" and "foundations" that were motivated by political pressure and guilt. Companies such as Coca-Cola, IBM, Mobil Oil and General Motors were accused of having "sold

the black man for a few million dollars". Some respondents said funding for Trusts and Foundations should, instead, be deployed in areas such as employee compensation and support for dependents of employees. General Motors, IBM, and Mobil received the most severe criticism. All three corporations were said to be working against the best interest of the black political and economic struggle.

More temperate criticism came from business operators who readily endorsed corporate funding for black community support and development. However, these respondents were less supportive about private sector Trusts and Foundations for the black community. Once more, the corporate donors were criticized for failing to consult with black organizations, community leaders or the general black public. Some respondents questioned the credibility and political affiliations of some of the black people who have been associated with the newly founded Trusts and Foundations.

Large donor agencies were criticized for encouraging certain black organizations and individual to become too dependent on donations. Such donations were said to be palliative: they were seen as failing to address the real causes of lack of funds within the black community. Yet South Africa was said to have sufficient funding for the types and size of donations that currently go into black organizations and/or projects. However, the central problem was said to be lack of willingness, among South African government and major private sector corporations, to become involved in black community development. Racial discrimination and negative traditions were blamed for the perceived indifference towards the plight of the black community. Consequently, black people are forced to turn to foreign sources for funding. This line of thinking was not popularly supported among the majority of business-oriented respondents. However, the idea of black people uniting to generate wealth for self-development was readily accepted. There were reservations about black people who have failed to manage public funds. In the main, black people were said to have lost the trust of their community insofar as public funds management is concerned.

3. ATTITUDES TOWARDS U S GOVERNMENT FUNDING

Source credibility emerged as a strong factor that determines whether or not foreign government funding should be accepted. Rejection of funding from United States Government and/or its closely associated agencies was widely spread among respondents. As can be expected, most political and community leaderships were strongly against receiving funds from the U S Government. The United States Government emerges as one of the most unpopular governments amongst certain segments of the community. The cause of the resentment appears to

centre about perceived Reagan Administration support for the South African Government and its racial policies. The U.S. government policy of Constructive Engagement towards South Africa was cited as the most "repugnant" and "direct support" for the apartheid regime.

Most of the political leaderships argued that the current U S Administration "supports apartheid so much that [President] Reagan has had to choose to defy his own Congress and Senate". Others were more specific about their criticism of the policy of Constructive Engagement. The U S Administration was accused of practicing policy contradictions. On the one hand, the Reagan Administration was said to be rather keen to support and work with the South African government in spite of the latter's perceived unwillingness to evidenced political fairplay through its much publicized reform programs. On the other, the U S Administration was said to be attempting to appease black people through short-term and superficial funding programs. Yet, the overall verdict appears to be that the Administration has failed to win the hearts and minds of black people both in the United States and in South Africa.

Against the foregoing background, U S Government funding of black community projects was viewed with suspicion. Once more, the more pragmatic business respondents maintained that U S Government funds should be used for the benefit of black people. In spite of criticisms directed against U S Government funding, black South Africans appear to be emotionally and aspirationally much closer to the United States than any other foreign government or donor source. The relationship with America appears to have a rather deep-seated history of association that flows from common black experiences as well as the United States economic and democratic leadership worldwide. The United States was described in terms of being a role model to all countries that desire true democracy and fairplay. In addition, it is the one country most black South Africans would like to visit or adopt as their own. It was praised for its achievements in several areas such as education, art and music, open and "grand" lifestyles, and so forth.

Looked at from this angle, black resentment and criticisms of the U S Administration and/or its policies vis-a-vis South Africa spring from disappointment about lack of U S government retributive action against the South African government. Black South Africans tend to expect more substantive support and action from the United States Government than they do the United Kingdom, or other Western governments. The more seasoned political leaders clearly spelt out the issue thus:

"America is refusing to abandon its support for the racists in Pretoria...the American people...universities, Congressmen and Senators...and many others in the whole country want their government to side with us but Reagan thinks the time is not yet right...when we are closer to power, they will switch sides...just like that".

Reacting within the context of their political affiliations, supporters of "progressive political organizations" criticized the U S Administration for failing to help unite various groups of South Africans. United Democratic Forum sympathizers and supporters argued in favour of open and non-divisive support from the U S Administration. U.S. Administration criticism of the ANC and other "progressive movements" as well as prominent black leaders, such as Archbishop Tutu and Dr Allan Boesak was dismissed as being mischievous, unnecessary or unfair. But most important, such criticisms were said to be counterproductive and divisive. Sentiments among AZAPO sympathizers, on the subject, were similar but somewhat harsher.

Still on the issue of relationships between the U S Government and black South Africans, the former was criticized for what was described as "their history of backing the losers in the struggle for freedom". Previous and present U.S. Administrations were accused of having blundered in supporting the losing sides during transitional processes in Zimbabwe, Mozambique, and Angola. Recent U S Administrations' attitudes towards southern African black heads of states were cited as evidence of the Administration's perceive distance from black people and their struggle for self-determination. One specific example was cited by most respondents, namely, the U.S. Administration public rebuke of Zimbabwe's Mr Robert Mugabe. The U.S. Administration's response was viewed as having been provoked by "what Mugabe was saying about South Africa and sanctions".

The issue of United States Government-sponsored sanctions came up for discussion rather frequently. The Reagan Administration was, once more, accused of persistently adopting a stance that served to weaken the impact of these sanctions against the South African government racist policies. With the exception of some conservative business operators, the majority of respondents were clearly supportive of sanctions against their own government. The United States Government was said to have the key to the problem of white South African unwillingness to bring about equitable black participation in economic and political life. The more seasoned political leaders rejected the argument that America has little or no power to force the South African government to move towards negotiations and change.

The most popular view on this matter was that articulated by one of the respondents thus:

"it is the Americans who must decide whether our struggle will go all the way to total revolution or civil war...they are our only chance because this [SAG] cannot go to the British because Thatcher is weaker than Reagan...she toes his line...Reagan and the American political machinery must stand up now...there is no point in telling the world that black people must stop supporting the ANC and other progressive movements...if we did not have the ANC who would be holding the struggle together for us? Reagan must stop bribing Gatsha [Buthalezi] because Gatsha does not have the future of our struggle in his hands...they must use their influence and money to start preparing our youths for proper leadership now".

Another issue that was raised among the Soweto sub-sample of the Consumer Behaviour study, centred about recent shifts in American corporate attitude and actions over the Pace College. The American Chambers of Commerce's threat to close the college was said to have illustrated how community development funding is often misused for the advancement of corporate self-image. The companies backing the Pace College were said to be arrogant and too insensitive to black community desire for proper consultation. The real issues behind the Pace College debacle were said to have been ignited by a conflict of interest between sponsor companies and Pace College students' decision to join rather than be separated from other students groups within the community. The latter were said to have challenged Pace students to declare their commitment or otherwise to the "political struggle."

In conclusion, it must be stated that feelings about the current U S Administration appear to be rather negative and deep-seated. Central to the issue of fractured relationships, is the popular perception that the U.S. Administration has long decided to throw its support behind the Botha Government. Support for the black cause is considered to be too shallow, token or nonexistent. The position of black leaderships towards the U S Administration and its constructive engagement policy is largely responsible for their supporters' cautious and reluctant attitude towards accepting funds and other forms of support for developmental programs. The climate of relationships appears to have permeated through most segments of the black community - more particularly among the politicized groups.

4. OTHER FOREIGN GOVERNMENTS' DONOR AGENCIES

There is generally very little interest in and awareness towards developmental programs being funded by other foreign governments in South Africa. Most of the information available clearly shows little support for the governments of the United Kingdom, Germany, and Israel. These governments were accused of digging their "racist heels" behind the the South African government. All major Western governments were accused of having followed the example of the U.S. government: they were perceived to be supportive towards the South African government largely because its members are white.

Mention was made of British Government sponsored education funds being made available to South Africans. It was generally believed that these funds were open more to whites than black people. Most Western governments were said to be less interested in providing development aid to black South Africans largely because of their lack of appreciation for and past experience with racial issues. The United States was the only country that was said to have cultivated some interest in the region.

The Israeli government's relationships with black South Africans appears to be worse than that between the American, British, German and French governments and black South Africans. The Israelis were accused, in rather strong language, of being the only country in the world that stands alone behind the South African and its racist policies. The majority of the respondents said they would not accept money from an Israeli government. Acceptance of funds from this source was equated with accepting "poisoned bread" from a friend one's of enemy's friend. Discussion on the Israeli governmental relationships tended to veer off to a discussion on the role and position of local Jews vis-a-vis collaborating with or against black people. No clear-cut or dominant views emerged out of the discussion. Some of the political leadership black respondents maintained that a small proportion of South African Jews supported the "black struggle."

But the majority equated the role of local Jews with that of the majority of Indian South Africans who were accused of pursuing narrow capitalist objectives at the exclusion of everything else. Particularly strong criticism was reserved for South African Jews who are said to have adopted the language, culture and habits of the Afrikaans community. This class of Jews was considered to be worst racists than the the average racist Afrikaners.

Besides Jews and Indians, other minorities that were considered to be working against the political and economic interests of black people included Japanese and Chinese South Africans. In addition, the

Japanese government was criticized for what was described as "cal-lous" and aloof attitude towards problems currently facing black and white South Africans. Japanese companies operating in South Africa were said to be among the worst employers: they were said to pay minimum wages; operate inhuman working conditions; and lacking sympathy and sensitivity to local issues. Yet Japanese corporations were said to be amongst the largest and most dominant in the South African economy. Japanese people were accused of latent racism.

Similar criticism was leveled at the Chinese government. Chinese South Africans were said to be as uninvolved in the "black struggle" as Jews and Japanese. Russia was said to have neither direct interest nor involvement in sponsorship of black developmental programs. In black political circles, the Russians were credited with having elected to support the "black struggle". In addition, the attitude of the South African Government towards Communism was said to be responsible for keeping out Russian commercial involvement in South Africa. Some respondents mentioned that Russian funding and support for "the black struggle" was being offered directly to external liberation movements.

5. ATTITUDES TOWARDS CAPITALISM AND SOCIALISM

In recent years, the attitudes and opinions of black South Africans towards capitalism, communism, and socialism have come under the spotlight. Several research studies and conference papers have been published on these subjects. As can be expected, most of the authors and researchers have tended to adopt rather superficial approaches in dealing with the motivational bedrock of black perceptions and attitudes. The majority of the researchers and writers - including white parliamentarians - start from the premise that black people have a natural preference for systems that are incompatible with capitalism. This type of research is then used to prove that, indeed, black people are growing uneasy with capitalism. The present analysis has attempted to update some of the aforementioned research studies.

The Consumer Behaviour research study found that older black men and women maintain that South Africa practises a mixture of both capitalist and socialist economic systems. Discussion about capitalism tended to deteriorate into a discussion of the country's apartheid system and the disparities that flow from it. In essence, South Africa was accused of having discredited capitalism. The vast majority of the respondents said they were more prepared to give another economic system a chance rather than continue to operate under a system they referred to as "racial capitalism". Racial capitalism was said to have been misused and abused for purposes of benefiting the white section of the South African society.

The Consumer Behaviour study suggests that most black South Africans seem to believe that a post-apartheid South Africa will be forced to test socialist economic systems largely because capitalism is considered to have worked against the interests of the indigenous community. The rejection of capitalism applied equally to the free enterprise system as is practised in South Africa. However, in some of the interviews conducted by Consumer Behaviour, the majority of the respondents argued in favour of the retention of what were termed proper capitalist norms or practices. Business persons said they preferred the American brand economic system(s) - because the system(s) gives the individual unlimited choice and "a full life."

Among the more political groups of respondents, comments about the future of capitalism in South Africa were guarded. These maintained that capitalism should not be allowed to repeat its current mistakes. During the Consumer Behaviour study, discussion about alternative economic systems tended to be linked to discussion about alternative political systems. In the main, there was strong preference for what one respondent described as "full democracy just as they have it in America." A democratic South Africa was expected to discourage problems that flow from racialism, tribalism, and regionalism. In addition, democracy was said to be compatible with either socialist or capitalist economic systems.

The weaknesses of a socialist economic system appear to stem from the fact that it has yet to deliver practical results to South Africans. During the Consumer Behaviour study, the majority of respondents elected to retain a system that offers the best of capitalism and socialism. They argued that a future democratically elected government should be given sufficient scope to develop system that suits the needs and character of the entire country. Respondents cautioned against wholesale adoption of socialism. In the final analysis, doubts about socialism tended to increase rather than diminish. Most people claimed not to know enough about the system. However, it was said to be rather appealing to young activists. The latter were said to have little or no real understanding of the practical implications of life under a socialist system.

During the Consumer Behaviour study, protracted arguments often ensued about whether or not basic black South African values and systems were either socialist or capitalist. On the one hand, there was the belief that black values and systems are patently communal and, therefore, socialist in character. Yet the true meaning of socialism was said to be lost on most black people. Once more most respondents readily admitted being ignorant about the issue. On the other hand, some respondents argued that capitalism was the only system black South Africans know and are accustomed to. However, the black community

was said to be less comfortable with certain capitalist norms such as its perceived lopsided emphasis on benefiting few individuals at the expense of the majority. This was considered un-African.

Undesirable capitalism was typified by giving few large companies near total dominance over smaller operations. One respondent said during the study, that "bad capitalism makes you to be so cut off from your neighbour that you don't care what happens to him and his family." In other words, a system that "takes everything from the black man and lets the white man sit pretty and fat" was considered bad for the country. Finally, black South Africans seem to prefer an economic system that will be compatible with democratic principles. Equally important, they seem to prefer an economic system that will not enrich few people at the exclusion of the majority regardless of their race or social background.

FOOTNOTE REFERENCES

- 1 South Africa: Time Running Out; The Report of the Study Commission on US Policy Toward Southern Africa: University of California Press, 1981.
- 2 Merriman, J.: "Cleft Stick of Debt" in Special Supplement, Euromoney - South Africa: The Economic Prospects March 1987.
- 3 Merriman, J.: Op. cit.
- 4 Sadie, J.L.: Economic Prospects, Bureau of Economic Research, University of Stellenbosch, Vol.2 No.1, January 1987.
- 5 In 1925 Nikolai D. Kondratieff wrote that most economists, when referring to business cycles, have in mind cycles of 7-10 year's duration. He noted that studies conducted then had shown the probability of still shorter cycles of some three and a half year's length. Relying on French, British, and United States figures covering wholesale prices, interest rates, wages, foreign trade, and production, he reached the conclusion that there are still longer cycles, having an average duration of approximately 50 years. He also suggested that these long cycles were a part of the same dynamic process that produced regular intermediate cycles from 7 to 10 year's duration. The presence of these long cycles modifies the nature of those of shorter length. During years of upswing in long cycles, short cyclical fluctuations appear to contain more years of prosperity and fewer of depression; whereas when the long cycle is in its downward phase, then a reverse situation prevails within the shorter cycles.
- 6 Sadie, J.L.: Op. cit. 7 Sadie, J.L.: Op. cit
- 8 Sadie, J.L.: Op. cit.
- 9 Sadie, J.L.: Op. cit.
- 10 Sadie, J.L.: Op. cit.
- 11 Pellissier, G.M.: Trends, Bureau of Economic Research, Vol. 10 No.1.(1987).
- 12 Sadie, J.L.: Op. cit.
- 13 Bethlehem, R: Indicator SA Vol4 No 3 Summer 1987.
- 14 Bethlehem, R: Op. cit.
- 15 Bethlehem, R. Op. cit
- 16 Human, L: The Black Manager in a White World: A New Perspective. South African Journal of Labour Relations, 5,2, 1981a. Human, L and Hofmeyr, K: Black Managers in South African Organizations. Juta & Co Ltd 1985.
- 17 Non-Europeans Affairs Committee. September 1966.
- 18 Aubert M W and Brostow, D C: Black Towns of the PWV. 1984.
- 19 Leistner, G M E: African Traditions and Economic Development, in African Insight, Vol. 13, No. 3, 1983.
- Leistner, G M E: Black Business in the Eighties.
- NAFCCC Conference Paper. Urban Foundation Library.
- 20 Nasser, M: Need for Achievement. School of Business Leadership, University of South Africa. 1980.
- 21 Nasser, M: Op. cit.
- 22 Schlemmer, L: Black School Leavers in the Durban Industrial Work Environment, 1985.
- 23 Sinclair, Dr M: Community Development in South Africa: A Handbook for U S Donor Agencies. 1987

BIBLIOGRAPHY

[MAJOR BOOKS AND PERIODICALS]

ALLAN, A. et al: The Close Corporation Act. 1984, A. Basil Introduction, Juta and Co., Cape Town.

BAMFORD, B.: The Law of Partnership and Voluntary Association in South Africa. 1958, 3rd Ed., Juta and Co., Cape Town.

BECKETT, D. Permanent Peace. 1985, The Natal Witness (Pty) Ltd., Pietermaritzburg.

BRITZIUS, O.: Business Administration in South Africa. 1982, Juta and Co., Cape Town.

CHAROUX, E.; Intergration of Black Managers into South African Organizations. 1986, Juta and Co., Cape Town.

COETZEE, J.K.: Development is for People. 1986, McMillan, South Africa, Johannesburg.

COHEN, J.B.: The Great Achievement. Industrial Publishing Corporation, Florida, South Africa.

DE KOCK, A.: Industrial Laws of South Africa. 2nd Ed. 1984, Juta and Co., Cape Town.

DIVARIS, C. AND STEIN, M.L.: 1986/1987 - Supplement to Silke on South African Income Tax. 1986. Juta and Divaris Stein Publishers, Johannesburg.

DOVEY, K. et al: Working in South Africa. 1985, Ravan Press, Johannesburg.

ENERGOS; South Africa in the Year 2000. Mobil Oil, Southern Africa.

81'

- EVERINGHAM, G.K.: Generally Accepted Accounting Practice - A South African Viewpoint. 1979, 2nd Ed., Juta and Co., Cape Town.
- FALKENA, H.B. et al: The Dynamics of the South African Financial System - Financial Risk Management. 1987, Macmillan South Africa, Johannesburg.
- FINNEMORE, M. AND VAN DER MERWE, R.: Introduction to Industrial Relations in South Africa. 1986, Isando, South Africa.
- GIBSON, J.T.: South African Mercantile and Company Law. 5th Ed., 1983, Juta and Co., Cape Town.
- JONES, R.A.: Collective Bargaining in South Africa. 2nd Ed., 1982, Macmillan, Johannesburg.
- KERR, J.A.: The Principles of the Law of Contract. 3rd Ed., 1979, Butterworths, Durban.
- KERR, J.A.: The Law of Sale and Lease. 1984, Butterworths, Durban.
- KUPER, L.: Race, Class and Power. 1974, Gerald Duckworth and Co. Ltd., London.
- LEVY, A.: Unfair Dismissal - A Guide for South African Management. 1985, Divaris Stein Publishers, Johannesburg.
- LODGE, T.: Black Politics in South Africa since 1945. 1983, Ravan Press, Johannesburg.
- MANNING, A.D.: Communicating for Change - A Guide to Managing the Future of South African Organizations. 1987, Juta and Co., Cape Town.
- MOTLHABI, M.: The Theory and Practice of Black Resistance to Apartheid -

A Social Ethical Analysis. 1984, Skotaville Publishers,
Johannesburg.

NCUBE, D.: The Influence of Apartheid and Capitalism on the Development of
Black Trade Unions in South Africa. 1985, Skotaville Publishers,
Johannesburg.

NEL, P.S. AND VAN ROOYEN, P.H.: Worker Representation in Practice in South
Africa. 1985, Academia Ltd., Pretoria.

NOLUTSHUNGU, S.: Changing South Africa.
1983, David Phillip Publishers, Cape Town.,

PEAT, MARWICK, MITCHELL AND CO.: Management Buy-Outs.
1986, New Graphics, Johannesburg.

PELLISSIER, G.M.: Bureau for Economic Research, Vol. 10 No. 2.
June 1987, University of Stellenbosch.

PITHEY, M.: It's Your Business! The Small Business Guide for South Africa.
1986, Macmillan South Africa, Johannesburg.

POOLMAN, T.: Principles of Unfair Labour Practice.
1985, Juta and Co., Cape Town.

LEEKIE, W.D. AND LINGARD, G.S.: Elements of South African Business Finance.
1986, Macmillan South Africa, Johannesburg.

RIEKERT, J.: Basic Employment Law.
1987, Juta and Co., Cape Town.

SCHOEMAN, G.: Guide to the Close Corporations Act and Regulations.
1986, Juta and Co., Cape Town.

SHARROCK, R. AND BORROWDALE, A.: Business Transactions Law.
1986, Juta and Co., Cape Town.

81

SINCLAIR, R.: Make the Other Half Work Too - A Text on Advertising in South Africa. 1985, Macmillan, Johannesburg.

STADLER, A.: The Political Economy of Modern South Africa. 1987, David Phillip Publishers, Claremont, South Africa.

SWANEPOEL, J. P. A.: Introduction to Labour Laws. 2nd. Ed., 1984, McGraw Hill Book Co., Johannesburg.

THE STOCK EXCHANGE HANDBOOK: February 1987, Flesch Financial Publications, Johannesburg.

WATERHOUSE, P.: The Standard Trust Income Guide. 1986/1987, Printed 1985, Butterworths, Durban.

PUBLICATIONS AND PERIODICALS.

ABDELSAMAD, M.H.: The Cash Budget : An Indispensable Tool for Small Businesses. The National Development and Management Foundation of South Africa, Johannesburg.

ACKELSBERG, K.: Small Businesses fo Plan and it Pays Off. Long Range Planning, Vol. 18, No. 5, 1985.

AFRICAN BUSINESS: Venture Capital. June 1986.

AGRAWAL, C.: Government and Small Business Development - India. 10th International Small Business Congress, September, Singapore.

AITEC INTERNATIONAL: Employment Generation through Micro-Business Development. April, 1978.

BANK OF AMERICA: Gift Stores.

Small Business Reporter.

BANK OF AMERICA: The Handicrafts Business.

Small Business Reporter.

BARRY, B.: The Development of Organization Structure in the Family Firm.
1972.

BENICK, M.: Keeping Informed - New venture for Antipoverty Agencies.

BRUCKMAN, J.C. AND IMAN, S.: Consulting with Small Business : A Process
Model.

BROWER, M. AND LITTLE, D.: White Help for Black Business.

BECKHARD, R. AND GIBB DYER, W. Jr.: Managing Continuity in The Family-
Owned Business. Organizational Dynamics, Summer 1983.

BLOOMFIELD: An Outsider's View from the Sewer Small Business.

BERRYMAN, J.: Small Business Failure and Bankruptcy: A Survey of the
Literature.

BLACK, S.: Small Firms - Money Difficulties - Basis of Diagnosis and
Possible Corrective Action. 1978, Centre for Developing Business
- Grad. School of Business, Parktown, South Africa.

BOLKER, H.J.: Small Business Today - Canada, South Africa and the United
States - A Comparison. Journal of Small Business, Vol 1,
No. 1, Summer 1983.

BANNOCK, G.: Can the Banks Profit from Small Firms?
The Banker, September 1978.

BAMBERGER, I.: Portfolio Analysis for the Small Firm.

Long Range Planning, Vol 15, No. 6, 1982.

BRUNO, A.V. et al: Finding a Way Through the Venture Capital Maze.
Business Horizons, Jan-Feb 1985.

BRUNO, A.V. et al; Technological Forecasting in Small Companies.
University of Santa Clara.

BUTTLE, F.: The Marketing Strategy Worksheet - A Practical Planning Tool.
Long Range Planning, Vol 18, No. 4, 1985.

BOSWELL, J.: Corporate Planning in Small Manufacturing Firms.
Graduate Business Centre, City University.

BELT, B.: The Cash Breakeven Point as a Tool for Small Business Analysis.

BEETON, J.: Presentation to Operations Team: Employment Conditions and the
Urban Informal Business Sector, January 1984.

BLACK, S.: The Development and Training of Small Business Entrepreneurs.
Small Business Symposium, Johannesburg.

BROCKHAUS, R.H.Sr.: Risk Taking Propensity of Entrepreneurs.

BOTHA, W.J.: Training for Entrepreneurs.
South Africa.

BURCH, J.G.: Profiling the Entrepreneur.
Business Horizons, September/October 1986.

BOYD, D.P. AND GUMPERT, D.E.: Coping with Entrepreneurial Stress.

BLOCK, Z. AND MACMILLAN, I.C.: Milestones for Successful Venture Planning
Harvard Business Review. Sept/Oct 1985.

BRACKER, J.S. AND PEARSON, J.N.: The Impact of Consultants on Small Firm

Strategic Planning.

- BUTLER, G.R. AND NELSON, T.J.: Strategic Implications of the Modern Technology Shift for the Existing Small Firm.
International Small Business Congress, 1983 Singapore.
- BRITISH INSTITUTE OF MANAGEMENT: Information Note 77: Policy Formulation for the Smaller Company. London.
- CADY, J.F.: Structural Trends in Retailing: The Decline of Small Business?
- CATANE, B.: A look at Current Entrepreneurship Development Programs in some Asian Countries.
- CASSELL, R.B.: Handbook of Community Development for SBA Personnel.
Small Business Administration, Washington, D.C.
- CHRISMAN, J.J. et al: The Impact of SBDC Consulting Activities.
Journal of Small Business Management, Morgantown, West Virginia.
- CURRAN, S.J.: Assisting a Small Business.
Management Accounting, June 1970.
- COHN, T. AND LINDBERG, R.A.: How Management is Different in Small Companies. An AMA Management briefing.
- CORTES, J.M.: Entrepreneurship Development in Southern Africa with Special Reference to the BLS Countries. 4th International Symposium, on Small Business, October, 1977.
- CAMPBELL, C.: Hatching Small Businesses.
May 1984, Planning Practice.
- COTTON, J.: Keeping Records in Small Business.

Q

Small Business Administration, Washington D.C.

COOPER, A.C.: Strategic Management: New Ventures and Small Business.
Long Range Planning, Vol. 14, No. 5, 1981.

CHRISMAN, J.J. AND BHANDARI, S.B.: Using Financial Dtructure Planning to
Improve Small Business Performance. American Journal of
Small Business, Vol. VII, No. 2, Oct - Dec 1982.

CHANGANTI, R AND CHANGANTI, R.: A Profile of Profitable and Not-So
Profitable Small Businesses. July 1983.

CARRINGTON, J.H. AND AURELIO, J.M.: Survival Tactics for the Small
Business. February 1986, Business Horizons.

COLORI, R.: Effective Strategies in Emerging Industries.
Long Range Planning, Vol 18, No. 3, 1985.

CHAMBERS, R.L.: How Not to Sell Your Company.
Small Business Series.

COCHRANE, G.: Close Corporations - A New Form of Company Entrepreneur.
October 1984.

CARLAND, J.W. et al: Differentiating Entrepreneurs From Small Business
Owners : A Conceptualization Academy of Management Review,
Vol. 9, No. 2, 1984.

CONNELLAN, L.: The Identification and Development of Entrepreneurs.
Journal of Business Policy, Vol. 2, No. 3, Spring 1972.

DAVIS, E.W. AND WYBARK, D.C.: Small Business Inventory Management, 1976.

DILLAHUNTY, J. M. S.: Professional Consulting Techniques.
At Cal Poly.

94

DALGLEISH, R.: Policy Formulation in the Small Firm: An Under-rated Intellectual Activity. Management Education and Development, 3, 1972.

DICKINSON, R.A. et al; Critical Success Factors And Small Business. American Journal of Small Business, Vol. III, No. 3 Jan - May 1984.

DALABA, O.G.: Lengthening your Shadow - The Key to Small Business Growth.

DIAKU, I.: Non-Corporate Sector Finance and Financing of Small Industries in Developing Countries. The Nigerian Experience. 1977.

DOUGLAS, M.E.: Relating Education to Entrepreneurial Success. Business Horizons, Vol. 19, No. 6, 1976.

ELLSWORTH, J.E.: Management Consulting in the Smaller Company.

FALK, E.: Small Business Prospects and Opportunities in Asian Countries. 10th International Small Business Congress. September 1983, Singapore.

FLEMING, J.C.: Trends for International Small Business in the Asian Region.

FRIEDLAND, R.J.: The Dual Economy. Businessman's Law, 1983, South Africa.

FIELITZ, B.D.: Improving Cash Flow for Small Business. Advanced Management Journal, January 1966.

FELLER, J.H.: Keep Pointed Toward Profit. J.H. Feller and Associates, California.

FOSTER, D.: Planning in the Small Company. Long Range Planning, September, 1971.

- GREINER, L.E.: Evolution and Revolution As Organizations Grow.
Harvard Business Review, July - August 1972.
- GARTNER, W.B.: A Conceptual Framework for Describing the Phenomenon of
New Venture Creation. Academy of Management Review, 1985,
Vol. 10, No. 4.
- GILL, R.W.T. AND BRADY, D.L.: A Comparative Study of U.S. Department of
Commerce Directors' Attitude towards their Ability to
Provide Export Assistance to Small and Large Businesses in
Selected States. American Journal of Small Business, Vol.
III, No. 1, July - Sept 1982.
- GAFFNEY, M.: Small Firms really can be Helped.
Management Accounting, February 1983.
- GOLDBERG, H.: Effective Training of and Assistance to the Small Black
Industrialist.
- GASSE, Y.: Identification and Development of Potential Entrepreneurs.
International Small Business Congress, Singapore.
- GUMPERT, D.E. AND BOYD, D.P.: The Loneliness of the Small Business Owner.
Harvard Business Review, Nov - Dec, 1984.
- GOLDE, R.A.: Practical Planning for Small Business.
Harvard Business Review, Vol 42, No. 5, Sept - Oct 1964.
- GOLDE, R.A.: Practical Planning for Small Business.
Harvard Business Review.
- GOETZ, B.E.: Management of Risk in Small New Enterprises.
S.A.M. Advanced Management Journal, January 1983.
- GILMORE, F.F.: Formulating Strategy in Smaller Companies.
Small Business Series.
- 96

GILMORE, F.F.: Strategic Planning's Threat to Small Business.
California Management Review.

GARTNER, W.B.: A Conceptual Framework for Describing the Phenomenon of
New Venture Creation. Academy of Management Review, Vol. 10,
No. 4, 1985.

GALAGAN, P.: Between Family and Firm.
Training and Development Journal, April 1985.

HETHERINGTON, I.: Small Business - Changes in Government and Private
Sector Attitudes. University of the Witwatersrand,
Johannesburg.

HIDAYAT: Small Business Prospect and Opportunity in Indonesia.

HUTT, R.W.: The Focus Group Interview: A Technique for Counselling Small
Business Management, Morgantown, West Virginia.

HORNADAY, J.A. AND BUNKER, C.S.: The Nature of the Entrepreneur.
Personnel Psychology, 1970.

HEMNES, T.M.S.: How can You Find a Safe Trademark?
Harvard Business Review, March-April 1985.

HEARN, J.R.: Planning and Control in the Small Business.
Canadian Chartered Account, Vol 93, August 1968.

HASTINGS, D.C.: The Place of Forecasting in Basic Planning for Small
Business. May 1961, University of Minnesota.

HUDSON, P.A.: The Freedom Charter and Socialist Strategy in South Africa.
Politikon, Vol. 13, No. 1. June 1986.

HECHT, M.A.: Financing and the Small Businessman.

Barclays National Bank, Small Business Unit, Johannesburg.

HECHT, M.A.: Problems in Financing Small Businesses.

Barclays National Bank, Small Business Unit, Johannesburg.

IR HJ ARSHAD BIN HJ MARSIDIN: Government and Small Business Development
in Malaysia.

JIN HO K: Modernization Strategy for Small Businesses and Role of
Government.

JOHNSON, J.L. AND HALATIN, T.S.: The Role of the Formal Proposal in SBI
Project Design. Journal of Small Business Management, Morgantown,
West Virginia.

JACOBS, S.L.: New SBA "Answer Desk" Gets Many Calls, Often on Money.
Wall Street Journal, December 1982.

JOHNSON, M.L.: Small Businessmen: More Rags than Riches.
Industry Week, July 1974.

JACKSON, P.: Down to Business.
SEIFSA News, Vol. 4, No. 11, August 1986.

KAPLAN, R.E.: Stages in Developing a Consulting Relation : A Case Study
of a Long Beginning. The Journal of Applied Behavioral
Science.

KENNEDY, C.R.: Thinking of Opening your Own Business? Be Prepared!
Business Horizons, Sept - Oct. 1985.

KHOZA, R.J.: Black management Perspective.
IPB Journal, June 1986.

KRUGER, E.: Black Advancement : Scenario for the Future Growth.

September 1981.

KIRBY, D.: Small Firms in the Economy of South Africa.

International Small Business Journal, Vol. 4, No. 2, Winter
1985/86.

KELLY, L.: Keeping It in The Family.

Training and Development Journal, April 1985.

KUTUMELA, S.P.: Advancement in the Entrepreneurial Situation.

NAFCOC Education and Training Committee.

LANDELL - MILLS, J.: The Role of Development Finance Corporations -
Experience in Indian and Korea.

LAVIFUEUR, G.A.; Government and Small Business Development in Canada.

LEVIS, M.: Are Small Firms Big Performers?

The Investment Analyst, April 1985.

LIM-CHEE PENG: Entrepreneurship Development - Programmes in Malaysia.

LOMBRA, R.E. AND WASYLENKO, M.: The Subsidization of Small Business
Through Federal Credit Programmes : Analytical Foundations.
Journal of Economics and Business, 1984. Temple University.

LEVINSON, H.: Consulting with Family Business: What to Look For, What to
Look Out For. Organizational Dynamics, Summer, 1983.

LOEN, E.L.: Developing A List of Prospects.

Management Aids No. 188 For Small Manufacturers, Washington,
D.C.

LILL, D.J. et al: How Small Business can Use Consumer Shopping Types as a

21

Planning Tool. American Journal of Small Business, Vol. VI,
No. 1, July - Sept 1981.

LAVENSTEIN, M.C.: Cutting Companies Down to Size.

Harvard Business Review, Sept.-Oct. 1984.

LENDNUM, H.C.: Marketing and the Small Businessman.

1981 Regional Congress of the Association of Chambers of
Commerce of South Africa.

LABOUR ADVANCEMENT: Job Advancement in South Africa.

Black Manufacturer, Jan.-Feb. 1982.

LEON, M. LOUW: Free Enterprise and the Individual Economic Systems : The
World Experience and Law Restricting Free Enterprise in
South Africa. Free Market Foundation of Southern Africa.

LEISTNER, G.M.E.: African Traditions and Economic Development.

African Insight, Vol. 13, No. 3, 1983.

MARAIS, G.: Black/White Trade Partnerships - Necessary Claims.

African Business, April 1981.

MERKELBACH, P.M.: Exploiting and Overcoming Governmental Regulation -

An Entrepreneurial View. International Small Business
Congress, October 1984.

MANFRED, F.R. AND KETS DE FRIES: The Dark Side of Entrepreneurship.

MILLER, D.: The Correlates of Entrepreneurship in Three Types of Firms.

Management Science, Vol. 29, No. 7, July 1983.

MEREDITH, C.G.: Education and Training Policy for the Small Enterprise
Sector - 1980. Small Business Development Corporation,
Melbourne, Australia.

- MOORE, H.L.: When Investors Assemble their Own Companies.
Venture, October 1982.
- MAYTAG, F.: The Joys of Keeping the Company Small.
Harvard Business Review, July - August 1986.
- McDOWELL, J.T., Jr.: A Guide to Franchising.
The Small Business Development Center, University of
Georgia. Dec. 1985.
- McCOMAS, M.: Life Isn't Easy.
Fortune, December 1985.
- McBRIDE, J.W.: Hints for New Businesses.
Johannesburg Chamber of Commerce.
- MACMILLAN, I.C.: The Concept of Strategy for the Small Businessman.
University of South Africa.
- MOGOTSI, S.: Black Urban Entrepreneurship - African Development.
South African Freedom Foundation.
- MOGADIME, S.M.: Training Needs of Black Entrepreneurs.
The Personnel Development Symposium, Instructura 80, Ramd
Afrikaans University.
- MILSTEIN, D.: Development of Black Business Training.
The Urban Foundation, Transvaal Region.
- MARAIS, G.: Some Challenges to Black Business.
South African Forum, Vol. 4, No. 10, 1981.
- MARSDEN, K. Creating the right Environment for Small Firms.

Benso, Vol. 4, No. 3, Pretoria.

MACMILLIAN, I.C.: The Politics of New Venture Management.

Harvard Business Review, Nov.-Dec. 1983.

NARVER, J.C. AND PRESTON, L.E.: The Political Economy of Small Business in
The Post-Industrial State. Journal of Contemporary Business,
Vol. 2, No. 2, Spring 1976.

NECK, P.A.: Government and Small Business Development: A Strategic
Programme Management Approach. International Small Business
Congress, 1983, Singapore.

NAKAZAWA, T.: Modern Management and Small Business.

International Small Business Congress, 1983, Singapore.

NEULAND, E.W.; Small Business Enterprises : Strategies for the 1980s.
University of South Africa, Pretoria.

NAUDE, S.J.: The Close Corporation : A New Legal Form for Enterprise in
South Africa. Boardroom, June 1984.

NEDFIN BANK: Financing for the Smaller Business.

NKOSI, R.: Venture Capital - A Tool Towards Economic Development.
African Business, December 1985.

OOSTHUIZEN, A.J.G.: A Classification of the Retail Trade and Allied
Services. 1976, RAU.

ORPEN, S.: Start a Business and Save South Africa!
Management, July 1984.

O'CONNOR, C.W.: Packing your Business for Sale.

Harvard Business Review, March-April 1985.

PARRIS, J.L. et al: Where Sick Companies can Turn for Advice.
Business Week, August 15, 1964.

PRESTON, N.: Specialist Aid Small Business - The Iron Age.
September 12, 1963.

PELISSIER, R.F.: Planning and Goal Setting for Small Business.
Management Aids for Small Manufacturers. U.S. Small
Business Administration, Virginia.

PALMER, R.E.: Purchasing - A Module in the Building Your Own Business
Course. Control Data Company.

PAIK, Y.H.: CO-Operative Approaches for Modernization of Small Business.
International Small Business Congress, 1983, Singapore.

PADGETT, B.: Modern Technology - Threat or Opportunity?
International Small Business Congress, Singapore, 1983.

PERRIGO, A.E.B.: Developing Corporate Strategy for Small Business.
Journal of Business Policy, Vol. 3, No. 4, 1973, London.

PHILIPS, B.D.: The Effect of Industry Deregulation on the Small Business
Sector. Business Economics, January 1985.

REDDINGTON, D.A.: Control Methods for Small Business.
Management Accounting, 1973.

RICHARDS, B.: Improving Small Company Performance : How the Expert
Outsider can Help.

RICE, F.: How to Succeed at Cloning a Small Business.
Fortune, October 1985.

ROBINSON, R.B. Jr.: The Importance of "Outsiders" in Small Firm Strategic Planning. Academy of Management Journal, Vol 25, No. 1, 1982.

ROBERTA, G.B.: Management and the Small Business.
University of Tennessee.

RICE, S.R.: How to Write a Winning Business Plan.
Harvard Business Review, May-June 1985.

ROSHOLT, A.M.: The Role of Black Business in a Free Market System - The Challenges Ahead. NAFCOC Annual Conferende, Cape Town 1983.

ROSENTHAL: Venture Capital.
Finance Week, Vol., 30, No. 2, July 1986.

SCHABACKER, J.C.: The Special Case of Small Business as L.T. White saw It.

SMITH, J.G.: Definition of A Small Business in S.A.
SBAB for CHO, Potchefstroom.

SMITH-GANDER, J.R.: Report on Small Business Seminar.
Koorda, 1981.

SHAPERO, A.: Some Social Dimensions of Entrepreneurship.
The Ohio State University.

SCHREIER, J.W. et al: Enterprise Development: A Worldwide Perspective.
Project I Seed Ltd., Milwaukee, USA.

STUTTERHEIM, N.: The Impact of Licences on Small Industrial Development.
NAFCOC Annual Conference, 1982.

SOWETAN: Big Boost for Traders.
Sowetan, February 17, 1983.

- SLABBERT, I.: Research Concerning Black Entrepreneurs.
HSRC, Pretoria.
- SANDERS, J.: Government and Small Business Development : American
Viewpoint.
- STEINER, G.A.: Approaches to Long-Range Planning for Small Business.
California Management Review.
- SMALL ENTERPRISE DEVELOPMENT PROGRAMME 1980: Managemment Development Branch
Training, Department, Geneva.
- SMALL BUSINESS PROFILES: A Financial Analysis of Hardware Retailers,
2nd Ed. Financial Management Research Centre. University
of New England.
- SMALL BUSINESS PROFILE FOR FRUIT AND VEGETABLE RETAILERS: Financial
Management Research Centre. University of New England,
Armidale 2351.
- SMALL BUSINESS IN JAPAN: 1980 White Paper on Small and Medium Enterprises
in Japan.
- STRASSEN, J.C.: The dismantling of Statutrtory Apartheid: A Businessman's
Primer. Modern Business, Vol.8, No. 3., Nov. 1986.
- STUCKEY, A.: An Investigation of Japanese Small Business Assistance
Programmes. Summary Report, 1979.
- SMALL BUSINESS PERFORMANCE IMPROVEMENT PROGRAMME: The Standard Bank of
South Africa Limited.
- SEGLUND, R.: How to Reduce Advertising Costs.
- TAMARI, M.: Patterns of Entrepreneurial Behaviour.
Tel Aviv University.

THE BOLTON REPORT OF THE COMMITTEE OF INQUIRY IN SMALL FIRMS: HMSO, London.

TAMARI, M.; Effects of changes in the Business Cycle on Small Firms in the United States. International Small Business Journal 2,3.

TENGCO, J.R. Jr.: Small Business Policies and Opportunities in the Philippines.

THE URBAN FOUNDATION: The Role of Private Income Generation, Entrepreneurial Encouragement and Administrative Responsibility in Community Development, October 1979.

Access to Free Enterprise System and Small Business Development.

THURSTON, P.H.: Should Smaller Companies Make Formal Plans?
Harvard Business Review, Sept. - Oct. 1983.

UNNI, V.K.: The Role of Strategic Planning in Small Businesses.
Long Range Planning, Vol. 14, April 1981.

U.S. SMALL BUSINESS ADMINISTRATION: Business Plan for Small Manufacturers.
Management Aids for Small Manufacturers.

U.S. SMALL BUSINESS ADMINISTRATION: Current and Potential SBA Roles.

U.S. DEPARTMENT OF COMMERCE: Black Business Development in South Africa.
A Primer for American Business Firms : Office of Africa.

VAN DEN BERG: Longterm Prospects for the Promotion of Partnership between Black and White in Business. NAFCOC Conference July 1982.

VOSLOO, W.B.: The Future Role of the Small Industrialist in South Africa.
NAFCOC Conference 1982.

- VAN ZEIL, P.H.: Government and Small Business Development: European Viewpoint. International Small Business Congress 1983, Singapore.
- VISCIONE, J.A.: How Long Should You Borrow Short Term?
Harvard Business Review, March/April 1986.
- VISION OF SMALL AND MEDIUM ENTERPRISES AND THEIR POLICY DIRECTION IN THE 1980s. Ministry of International Trade and Industry.
- VILJOEN, F.V.: Investigation into the Small Business Sector in the RSA, with Specific Reference to Factors that may Retard the Growth and Development thereof. Vol 1, No. 2, August 1984.
- WALDMAN, J.M.: Making it Big in the Fast Food Industry.
- WELSH, J.A. AND WHITE, J.F.: A Small Business is Not a Little Big Business.
- WILSON, P.E.B.: Some Initiative to Promote the Development of African Businessmen in South Africa : A Possible Role for Barclays Bank International. February, 1980.
- WARNKE, J.: Modern Technology and its Transfer: Effect on Small Business. International Small Business Congress, September 1983.
- WOODWARD, H.N.: The Name of the managerial Game is Return on Investment.
- WACKER, J.G. AND CROMARTIE, J.S.: Adapting Forecasting Methods to the Small Firm. Microforms International Marketing Corporation, New York.
- WHEELWRIGHT, S.C.: Strategic Planning in the Small Business. Business Horizons, Vol. 14, August, 1971.